香港交易及結算所有限公司及香港聯合交易所有限公司對本公告的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示，概不對因本公告全部或任何部分內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

本公告及本公告所述的上市文件乃按上市規則（定義見下文）規定刊發，僅供參考之用，並不構成出售任何證券的要約或招攬購買任何證券的要約。本公告及本公告所述任何內容（包括上市文件（定義見下文））並非任何合同或承諾的依據。*為免生疑，刊發本公告及本公告所述的上市文件不應被視為就香港法例第32章公司（清盤及雜項條文）條例而言根據發行人（定義見下文）或其代表刊發的售股章程提出的證券發售要約，亦不構成香港法例第571章證券及期貨條例所指其中載有向公眾人士發出邀請以訂立或發出要約以訂立有關收購、出售、認購或承銷證券的協議的廣告、邀請或文件。*

*本公告並不構成或成為於美國購買或認購證券之任何要約或招攬之一部分。票據（定義見下文）概無及將不會按照經修訂的1933年美國證券法（「****美國證券法****」）或任何其他司法管轄區的證券法律登記，除根據美國證券法獲豁免或不受美國證券法的登記規定所規限的交易外，概不可在美國境內（其定義見美國證券法項下S規例（「****S規例****」））發售或出售。因此，票據將在符合S規例的情況下在美國境外發售及出售。於美國公開發售證券將須以售股章程形式作出。該等售股章程須載有作出發售之發行人及其管理和財務報表之詳細資料。證券不會於美國境內公開發售。*

香港投資者謹請注意：*發行人確認票據擬僅供專業投資者（定義見香港聯合交易所有限公司證券上市規則第37章）購買，並已以此為基礎於香港聯合交易所有限公司上市。因此，發行人確認票據不適合作為香港零售投資者之投資。投資者應審慎考慮所涉及的風險。*

刊發發售通函及定價補充文件

中國民生銀行股份有限公司香港分行
（「發行人」）

中國民生銀行股份有限公司
CHINA MINSHENG BANKING CORP., LTD.
（在中華人民共和國註冊成立的股份有限公司）
（「本行」）
（股份代號：01988）

於5,000,000,000美元中期票據計劃（「該計劃」）下提取

於2026年到期的人民幣3,000,000,000元3.08厘票據（「票據」）
（股份代號：84492）

本公告乃根據香港聯合交易所有限公司(「**香港聯交所**」)證券上市規則(「**上市規則**」)第37.39A條刊發。

請參閱本公告隨附有關該計劃的日期為2024年3月4日的發售通函(「**發售通函**」)及有關票據的日期為2024年3月5日的定價補充文件(「**定價補充文件**」)(合稱「**上市文件**」,及各為「**上市文件**」)。誠如上市文件所披露,票據擬僅供專業投資者(定義見上市規則第37章)購買,並已以此為基礎於香港聯交所上市。

上市文件並不構成向任何司法管轄區的公眾人士提呈出售任何證券的售股章程、通告、通函、宣傳冊或廣告,且並非向公眾人士發出邀請以就認購或購買任何證券作出要約,亦非供傳閱以邀請公眾人士就認購或購買任何證券作出要約。

上市文件不應被視為認購或購買發行人任何票據的誘因,亦無意作出有關誘因。

2024年3月13日

於本公告日期,本行執行董事為高迎欣先生;非執行董事為張宏偉先生、盧志強先生、劉永好先生、史玉柱先生、吳迪先生、宋春風先生、楊曉靈先生及趙鵬先生;獨立非執行董事為解植春先生、曲新久先生、溫秋菊女士、宋煥政先生、楊志威先生及程鳳朝先生。

目錄

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. It applies to the offering circular which follows this page (the "**Offering Circular**"), and you are therefore advised to review this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE DOWNLOADED, FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY DOWNLOADING, FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of Your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act (the "**Regulation S**"). By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to China Minsheng Banking Corp., Ltd., Hong Kong Branch and Standard Chartered Bank (the "**Arrangers**") and China Minsheng Banking Corp., Ltd., Hong Kong Branch (the "**Issuer**") (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this Offering Circular to any other person. You should not reply by e-mail to this notice, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

This Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers (as defined below) or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Arrangers, the Dealers or the Agents (as defined below), nor any person who controls any of them, nor any director, officer, employee, nor agent of any of them, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers or the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CHINA MINSHENG BANKING CORP., LTD., HONG KONG BRANCH

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

U.S.$5,000,000,000
Medium Term Note Programme

Under the U.S.$5,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), China Minsheng Banking Corp., Ltd., Hong Kong Branch (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$5,000,000,000 (or the equivalent in other currencies), subject to increases of the programme size made in accordance with the terms of an amended and restated Dealer Agreement dated 4 March 2024 (the "**Dealer Agreement**").

The Notes may be issued on a continuing basis to one or more of the Dealers appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors should also have the financial capacity to bear the risks associated with an investment in the Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations in respect of the Notes are discussed in "Risk Factors" beginning on page 18.

Application has been made to The Stock Exchange of Hong Kong Limited ("**HKSE**") for the listing of the Programme under which Notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only during the 12-month period after the date of this document on the HKSE. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Notes to be issued under the Programme are intended for purchase by Professional Investors only and the Programme and the Notes (to the extent such Notes are to be listed on the HKSE) will be listed on HKSE on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Group (as defined below) or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Where the Administrative Measures for Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the "**NDRC Administrative Measures**"), which was issued by the NDRC on 5 January 2023 and became effective on 10 February 2023, and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time, apply to the issue of Notes of each Series, the Issuer undertakes to report or cause to be reported to the NDRC the requisite information and documents in connection with such series of Notes within the prescribed time frame after the relevant Issue Date (as defined in the "**Terms and Conditions of the Notes**", the "**Conditions**") in accordance with the NDRC Administrative Measures, and as amended, supplemented or replaced from time to time.

The Bank has obtained the Enterprise Foreign Debt Review and Registration Certificate (企業借用外債審核登記證明) dated 19 October 2023 (the "**NDRC Certificate**") issued by the NDRC, pursuant to which a general foreign debt quota was granted to the Bank and where applicable for a relevant tranche of Notes, the Issuer may issue the Notes up to the foreign debt quota allocated to it without further obtaining any pre-issuance registration certificate under the NDRC Administrative Measures. However, the Issuer will still be required to report or cause to be reported the requisite information and documents in connection with such Notes to the NDRC in accordance with the NDRC Administrative Measures and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time.

Each Series (as defined in "**Summary of the Programme**") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**", together with the temporary Global Note, the "**Global Notes**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a permanent global certificate (each a "**Global Certificate**") without interest coupons. The Global Notes and Global Certificates may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU**") and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream or CMU, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States or, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S of the Securities Act, to, or for the account or the benefit of U.S. persons, unless an exemption from the registration requirement of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. Registered Notes are subject to certain restrictions on transfer. See "*Subscription and Sale*".

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Conditions, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Programme is rated "BBB–" by Standard & Poor's Global Ratings ("S&P"), a division of S&P Global Inc. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes (as defined in "**Summary of the Programme**") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Arrangers

China Minsheng Banking Corp., Ltd., Hong Kong Branch

Standard Chartered Bank

Offering Circular dated 4 March 2024

IMPORTANT NOTICE

Each of the Issuer and the Bank having made all reasonable enquiries confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Group and to the Notes which is material in the context of the issue and offering of the Notes (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Bank and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group and of the rights attaching to the Notes); (ii) the statements contained herein relating to the Issuer, the Bank, the Group and the Notes are in every material respect true and accurate and not misleading and (iii) there are no other facts in relation to the Issuer, the Bank, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material aspect.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purposes of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers or the Dealers (as defined in "**Summary of the Programme**") or the Agents (as defined in "**Terms and Conditions of the Notes**"). Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by the Issuer, the Arrangers, any Dealer or the Agents that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. This Offering Circular does not take into account the objectives, financial situation or needs of any potential investor. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arrangers, any Dealer or the Agents to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**").

Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK Prospectus Regulation**").

Consequently, no key information document required by PRIIPs Regulation as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Product classification pursuant to Section 309B of the Securities and Futures Act 2001:

The Pricing Supplement in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to Section 309B(1) of the Securities and Futures Act 2001 (the "**SFA**"). The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restriction.

The Notes are being offered and sold outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular, see "*Subscription and Sale*".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UP ON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Issuer, the Arrangers, any Dealer or the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable law. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions.

None of the Issuer, the Arrangers, the relevant Dealers or the Agents represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Pricing Supplement, no action has been taken by the Issuer, the Arrangers, the relevant Dealers or the Agent which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, the PRC and Japan. See "*Subscription and Sale*".

The Dealers have not independently verified the information contained herein or incorporated by reference in this Offering Circular. No representation, warranty or undertaking, express or implied is made by the Arrangers, the Dealers or the Agents, or any director, officer, employee, agent or affiliate of any such person, to the accuracy or completeness of any of the information contained or incorporated by reference in this Offering Circular, and none of the Arrangers, the Dealers or the Agents accept any responsibility for any acts or omissions of the Issuer or the Bank or any other person (other than the relevant Dealers) in connection with the issue and offering of the Notes. To the fullest extent permitted by law, none of the Arrangers, the Dealers or the Agents accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by an Arranger or a Dealer or any Agent or on its behalf in connection with the Issuer, the Bank or the issue and offering of the Notes. Each of the Arrangers, the Dealers and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any financial statements of the Issuer or the Group are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers or the Agents that any recipient of this Offering Circular or any financial statements of the Issuer or the Group should purchase the Notes. Each potential investor of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers or the Agents undertakes to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Arrangers, the Dealers or the Agents.

From time to time, in the ordinary course of business, certain of the Dealers and their affiliates have provided advisory and investment banking services, and entered into other commercial transactions with the Issuer and its affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers and their affiliates will continue to provide such services to, and enter into such transactions, with the Issuer and its affiliates in the future.

The Dealers or certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

In making an investment decision, each potential investor must rely on its own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. The Issuer does not and the Arrangers, the Dealers and the Agents do not make any representation regarding the legality of investment under any applicable laws.

Potential investors should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

IN CONNECTION WITH ANY TRANCHE OF NOTES, ONE OR MORE OF THE DEALER(S) (THE "STABILISATION MANAGER(S)") (OR ANY PERSON ACTING ON THEIR BEHALF) MAY ACT AS THE STABILISATION MANAGER(S). THE IDENTITY OF THE STABILISATION MANAGER(S) (IF ANY) WILL BE DISCLOSED IN THE RELEVANT PRICING SUPPLEMENT. IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, ONE OR MORE OF THE DEALER(S) NAMED AS STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme, each such offering, a "**CMI Offering**", including certain Dealers, may be "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealers in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Bank, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Issuer, the Bank, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Bank or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Bank, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

In the Offering Circular, unless otherwise specified, references to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China, all references to the "PRC" or "China" are to the People's Republic of China, excluding Taiwan, Hong Kong and Macau, references to "U.S.$", "US dollars" or "U.S. dollars" are to the lawful currency of the United States of America, references to "Renminbi" or "RMB" are to the lawful currency of the PRC, and references to "Hong Kong dollar" or "HK$" are to the lawful currency of Hong Kong.

Solely for the sake of convenience, this Offering Circular contains translations of certain Renminbi amounts into U.S. dollar amounts. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB7.2513 to U.S.$1.00, the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 June 2023. These translations should not be construed as representations that the Renminbi amounts could actually be converted into any U.S. dollar amounts at the rates indicated or at all.

In this Offering Circular, unless otherwise specified, references to:

- "the Bank" and "the Group" are to China Minsheng Banking Corp., Ltd. and, in the case of "the Group", except as the context otherwise requires, the subsidiaries of China Minsheng Banking Corp., Ltd.;

- the "branch outlets" include the head office, branches and outlets and other establishments of the Bank;

- a "business day" is a day that is not Saturday, Sunday or a public holiday in Hong Kong; and

- the terms “associate”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, in this Offering Circular, unless otherwise indicated, the terms “loans and advances to customers”, “loans” and “loans to customers” are used synonymously.

In this Offering Circular, unless otherwise indicated, the discussions on loans are based on the Group’s gross loans and advances to customers, before taking into account the related allowance for impairment losses, rather than its net loans to customers. The Group’s loans and advances to customers are reported net of the allowance for impairment losses on its consolidated balance sheet.

The growth rates with respect to the business and financial data of the Group presented in this Offering Circular are calculated based on amounts in millions of Renminbi.

Presentation of financial information

This Offering Circular contains the audited consolidated financial statements of the Group as at and for the years ended 31 December 2021 and 2022. The audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022 were audited by PricewaterhouseCoopers (“**PwC**”), the independent auditor of the Bank, and prepared in accordance with the International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (the “**IASB**”). The audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022 were extracted from the Group’s published annual reports as at and for the years ended 31 December 2021 and 2022 respectively and have been published on the HKSE.

The unaudited but reviewed condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2023 (the “**2023 Interim Financial Statements**”) has been published on the HKSE. The 2023 Interim Financial Statements were prepared in accordance International Accounting Standard 34 “Interim Financial Reporting”. The unaudited but reviewed condensed consolidated interim financial statements for the six months ended 30 June 2023 were extracted from the Group’s published interim report for the six months ended 30 June 2023 (the “**2023 Interim Report**”).

Documents Incorporated by Reference

The Issuer hereby incorporates by reference (i) each Pricing Supplement, (ii) the most recently published audited consolidated annual financial statements and the most recently published unaudited but reviewed condensed consolidated interim financial statements of the Group published from time to time after the date of this Offering Circular, in each case together with any audit or review reports prepared in connection therewith, and (iii) all amendments and supplements from time to time to this Offering Circular, each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with the contents of this Offering Circular.

The Bank publishes its consolidated quarterly interim reports in respect of the three months ended 31 March and nine months ended 30 September of each financial year. Other than what is expressly disclosed in this Offering Circular, the quarterly interim financial reports published by the Bank are not and will not be incorporated by reference and shall not form part of this Offering Circular. The quarterly interim reports should not be taken as an indication of the expected financial condition or results of operations of the Group for the relevant full financial year.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Issuer and of the Fiscal Agent (as defined below) set out at the end of this Offering Circular.

Supplemental Offering Circular

The Issuer has given an undertaking to the Arrangers and the Dealers that (i) if the Issuer has notified the Permanent Dealers (as defined hereinafter) in writing that it intends to issue Notes under the Programme for the time being, the Issuer shall prepare and publish an amendment or supplement to the Offering Circular if at any time during the duration of the Programme any event shall have occurred as a result of which the Offering Circular would include a statement of fact which is not true and accurate in all material respects or omit any fact the omission of which would make misleading in any material respect any statement therein, or if for any other reason it shall be necessary to amend or supplement the Offering Circular, (ii) the Issuer shall promptly inform the Permanent Dealers (as defined hereinafter) (or, in the case of a change affecting a specific issue of Notes, the relevant Dealer or, if more than one, the lead manager(s) on behalf of the relevant Dealers) as soon as practicable of any proposal to amend, supplement or replace the Offering Circular, (iii) the Issuer shall provide without charge the Permanent Dealers (as defined hereinafter), relevant Dealer or lead manager(s), as the case may be, with a copy of any such proposed amendment, supplement or replacement immediately prior to its publication.

Forward-looking statements

Certain statements under "Risk Factors", "Description of the Bank" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "believe", "expect", "plan", "anticipate", "schedule", "estimate", "may", "will", "would", "could", "aim", "intend", "project", "potential", "future", "seek", "should" and similar words or the negative thereof, or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Reliance should not be placed on these forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Issuer expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's expectations. All subsequent written and forward-looking statements attributable to the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by such cautionary statements.

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DEFINITION AND GLOSSARY OF TERMS

In this Offering Circular, unless the context otherwise requires, the following expressions shall have the following meaning.

Additional Tier 1 Capital	has the meaning given to Additional Tier 1 Capital (其他一級資本) (or any equivalent or successor term) in the Capital Management Rules
ATM	automated teller machine
Bank	China Minsheng Banking Corp., Ltd.
Basel III	a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector
Board	the board of Directors of the Bank
CAGR	compound annual growth rate
Capital Management Rules	the Measures on Capital Management of Commercial Banks (商業銀行資本管理辦法) issued by the NAFR on 26 October 2023, effective on 1 January 2024, as amended from time to time
CAR	capital adequacy ratio, details of which calculation are set forth in "Banking Regulation and Supervision in the PRC – CBRC – Supervision over Capital Adequacy"
CBRC	Former China Banking Regulatory Commission (原中國銀行業監督管理委員會)
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (which has been replaced by the NAFR)
China UnionPay	China UnionPay Co., Ltd. (中國銀聯)
CIRC	Former China Insurance Regulatory Commission (原中國保險監督管理委員會)
CMBC	China Minsheng Banking Corp., Ltd.
CMBC International	CMBC International Holdings Limited
CMBC Wealth Management	CMBC Wealth Management Co., Ltd.
Core Tier 1 Capital	has the meaning given to Core Tier 1 Capital (核心一級資本) (or any equivalent or successor term) in the Capital Management Rules

Core Tier 1 Capital Adequacy Ratio	as at any date has the meaning given to Core Tier 1 Capital Adequacy Ratio (核心一級資本充足率) (or any equivalent or successor term) in the Capital Management Rules, being the ratio of Core Tier 1 Capital of the Bank as of such date to the Risk Weighted Assets of the Bank as of the same date, expressed as a percentage
CPPCC	Chinese People's Political Consultative Conference (中國人民政治協商會議)
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	the director(s) of the Bank
Group	the Bank and its subsidiaries
HKMA	Hong Kong Monetary Authority
Minsheng Fund	Minsheng Royal Fund Management Co., Ltd.
Minsheng Financial Leasing	Minsheng Financial Leasing Co., Ltd.
Minsheng Royal Asset Management	Minsheng Royal Asset Management Co., Ltd.
MOF	Ministry of Finance of the PRC (中華人民共和國財政部)
MOFCOM	Ministry of Commerce of the PRC (中華人民共和國商務部)
NAFR	National Administration of Financial Regulation (國家金融監督管理總局)
NSOE	non-state-owned enterprise
NPL(s)	non-performing loan(s)
PBOC	The People's Bank of China (中國人民銀行)
PRC or China	the People's Republic of China, but for the purposes of this Offering Circular only, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region ("Macau") and Taiwan, unless otherwise indicated
QDII	qualified domestic institutional investors
Risk Weighted Assets	has the meaning given to Risk Weighted Assets (風險加權資產) (or any equivalent or successor term) in the Capital Management Rules

SAFE	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
SAT	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
SBU	strategic business unit
SMEs	small- and medium-sized enterprises
State Council	the State Council of the PRC (中華人民共和國國務院)
Supervisors	the members of the Supervisory Board of the Bank
Supervisory Board	the supervisory board of the Bank established pursuant to the Companies Law of the PRC
Tier 1 Capital Adequacy Ratio	has the meaning given to Tier 1 Capital Adequacy Ratio (一級資本充足率) (or any equivalent or successor term) in the Capital Management Rules

SUMMARY

The following summary highlights information contained elsewhere in this Offering Circular. Because this is only a summary, it does not contain all of the information that you should consider before deciding to invest in the Notes. You should read the entire Offering Circular carefully, including the "Risk Factors" section and our consolidated financial statements and related notes.

The Bank is the first national joint stock commercial bank in the PRC primarily founded by non-state-owned enterprises and the only non-state-owned PRC joint stock commercial bank. Since its establishment in 1996, the Bank has grown significantly and, as at 30 June 2023, the Bank ranked fifth amongst the listed PRC joint stock commercial banks in terms of total assets, according to public disclosure of PRC joint stock commercial banks. As at 30 June 2023, the Bank remained one of the national systematically important banks in China.

As at 30 June 2023, the Group's total assets, total loans and advances to customers, and total deposits from customers (excluding accrued interest) amounted to RMB7,641.5 billion, RMB4,390.9 billion and RMB4,241.5 billion, respectively. For the six months ended 30 June 2023, the Group had a net profit of RMB24.0 billion. The Group delivered steady returns for the six months ended 30 June 2023, achieving annualised return on average assets and annualised return on weighted average equity of 0.64 per cent. and 7.88 per cent., respectively. As at 30 June 2023, the Group's NPL ratio was 1.57 per cent.

The Bank is headquartered in Beijing and has established an extensive business network, which included 42 tier-one branches and 105 tier-two branches (including remote sub-branches), 1,238 business outlets of sub-branches (including the business departments), 1,079 community subbranches and 137 small business sub-branches as at 30 June 2023. Through its network, the Bank provides a broad range of corporate and personal banking products and services. The Bank also conducts treasury operations for its own account and on behalf of its customers.

For the year ended 31 December 2022, the Group's total operating income was RMB139.2 billion, as compared with RMB165.6 billion for the year ended 31 December 2021, representing a decrease of 15.91 per cent. For the year ended 31 December 2022, operating income from the Group's corporate business, retail business and other business amounted to RMB68.0 billion, RMB65.0 billion and RMB6.3 billion, respectively, representing 48.82 per cent., 46.65 per cent. and 4.53 per cent., respectively, of the Group's total operating income for the same year.

For the six months ended 30 June 2023, the Group's total operating income was RMB69.9 billion, as compared with RMB72.7 billion for the six months ended 30 June 2022, representing a decrease of 3.94 per cent. For the six months ended 30 June 2023, operating income from the Group's corporate business, retail business and other business amounted to RMB34.6 billion, RMB31.6 billion and RMB3.7 billion, respectively, representing 49.48 per cent., 45.23 per cent. and 5.29 per cent., respectively, of the Group's total operating income for the same period.

The Bank completed the domestic initial public offering and listing on the Shanghai Stock Exchange of its A shares on 19 December 2000, and the initial public offering and listing on the HKSE of its H shares on 26 November 2009.

Competitive Strengths

The Bank's principal strengths include:

- The first NSOE joint stock commercial bank in the PRC banking system;
- Broad customer coverage and comprehensive product offering with particular strength on private enterprises and small and micro enterprises;
- Accelerated digital transformation and pioneer in development of intelligent bank;
- Prudent and comprehensive risk management system enabling stable asset quality;
- Experienced senior management team, sound corporate governance and skilled workforce; and
- Model of practising ESG philosophy.

Business Strategies

The Bank aims to become a first-class commercial bank with distinctive features, continuous innovation, increasing value and steady operation. The Bank's strategies include the following:

- "One" main target: The Bank will stick to three strategic positionings of "a bank for NSOEs, an agile and open bank and a bank with considerate services", and fully implement the "customer-centric" philosophy, so as to realise the main operating target of "high-quality income growth";
- "Two" breakthroughs: The Bank will make breakthroughs in two aspects, namely high-quality asset placement and liability quality improvement;
- "Three" pillars: The Bank will enhance scale expansion and profitability improvement of retail business, comprehensive development of corporate business, and specialised management of financial markets business, so as to facilitate income growth;
- "Four" drivers: The Bank strives to achieve high-quality development through in-depth management of key customer groups, forward-looking arrangement of key businesses, empowerment by antecedent risk compliance, and agile innovation of digital ecosystems; and
- "Five"-in-one system: The Bank will build a supporting and guarantee system for resource allocation, process optimisation, evaluation and incentive, coordination culture, and supervision and inspection, to ensure effective connection and coordination of various policies, and to facilitate a sound and steady start for the second stage of the Five-Year Development Plan (2021-2025).

The Bank also aims to strategically position itself as a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services. In addition, the Bank continued to be focused on green development, actively promoted the layout of green finance, and gave play to the leverage effect of finance to facilitate the development of green economy, low-carbon economy and circular economy.

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meaning in this summary.

The Issuer	China Minsheng Banking Corp., Ltd., Hong Kong Branch.
Description	Medium Term Note Programme.
Size	Up to U.S.$5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement. The Dealer Agreement provides for the U.S.$ equivalent of any Note denominated in another currency to be determined on or around the date agreement is reached to issue those Notes or, if the agreement date is not a date that commercial banks and foreign exchange markets are open for general business in London, on the preceding day on which commercial banks and foreign exchange markets are open for general business in London.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "Risk Factors" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "Risk Factors" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Arrangers	China Minsheng Banking Corp., Ltd., Hong Kong Branch and Standard Chartered Bank.
	The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent and Paying Agent	Deutsche Bank AG, Hong Kong Branch.
Transfer Agent	Deutsche Bank AG, Hong Kong Branch.
Calculation Agent	Deutsche Bank AG, Hong Kong Branch.
Registrar	Deutsche Bank AG, Hong Kong Branch.

CMU Lodging and Paying Agent	Deutsche Bank AG, Hong Kong Branch.
Method of Issue	The Notes may be issued on a syndicated or non-syndicated basis. The Notes may be issued in series (each a "Series") having one or more issue dates (each tranche within such Series a "Tranche") and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement (a "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a temporary Global Note or a permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream and/or as the case may be, the CMU and/or any other relevant clearing system. Each temporary Global Note will be exchangeable for a permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a temporary Global Note or receipt of any payment of interest in respect of a temporary Global Note. Each permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Certificates".

	Registered Notes sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by a Global Certificate.
Clearing Systems	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealers.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the HKMA as operator of the CMU or deposited with a depositary or sub-custodian for any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity.
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, save that unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), as amended and updated as at the Issue Date of the first Tranche of the Notes) or the 2021 ISDA Definitions (the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Notes); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service (in relation to Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark, please see Condition 5(b)(iii)(C)); or (iii) by reference to EURIBOR or HIBOR or CNH HIBOR or SHIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption and Redemption Amounts	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of the Notes	The Notes issued by the Issuer will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank pari passu without any preference amongst themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Bank, other than any such obligations as are preferred by law, all as further described in Condition 3.
Negative Pledge	None.
NDRC Covenant	See "Terms and Conditions of the Notes – Covenant".
Events of Default	See "Terms and Conditions of the Notes – Events of Default".
Cross-Acceleration	See the relevant sub-condition under "Terms and Conditions of the Notes – Events of Default".
Ratings	The Programme is rated "BBB-" by S&P. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Early Redemption	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes – Redemption, Purchase and Options".
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Hong Kong or the PRC, subject to customary exceptions, all as described in "Terms and Conditions of the Notes – Taxation".
Governing Law	English law.
Listing	Application has been made to the HKSE for the listing of the Programme under which Notes may be issued by way of debt issues to the Professional Investors only during the 12-month period after the date of this Offering Circular on the HKSE. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s). Notes listed on the HKSE will be traded on the HKSE in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, the PRC and Japan. See "Subscription and Sale" below.
Legal Entity Identifier of the Issuer	635400BPCTF8TCGUXG82.
Legal Entity Identifier of the Bank	549300HBUGSQD1VCXG94.

SUMMARY FINANCIAL INFORMATION

*The summary financial information as at and for the year ended 31 December 2020 set forth below has been extracted from the Group's audited consolidated financial statements as at and for the year ended 31 December 2021, and the summary financial information as at and for the years ended 31 December 2021 and 2022 set forth below has been extracted from the Group's audited consolidated financial statements as at and for the year ended 31 December 2022, each of which have been prepared in accordance with IFRS and audited by PricewaterhouseCoopers, independent auditor of the Group, in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "**IAASB**").*

As indicated below, certain comparative data as at and for the year ended 31 December 2020 in the Group's audited consolidated financial statements as at and for the year ended 31 December 2021 have been restated to conform to the presentation and disclosure as at and for the year ended 31 December 2021 set out in the Group's audited consolidated financial statements as at and for the year ended 31 December 2021. Similarly, certain comparative data as at and for the year ended 31 December 2021 in the Group's audited consolidated financial statements as at and for the year ended 31 December 2022 have been restated to conform to the presentation and disclosure as at and for the year ended 31 December 2022 set out in the Group's audited consolidated financial statements as at and for the year ended 31 December 2022.

The summary financial information as at and for the years ended 31 December 2020, 2021 and 2022 set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant audited consolidated financial statements of the Group as at and for the years ended 31 December 2021 and 2022 and the relevant independent auditor's reports thereon, including the notes thereto, which are included elsewhere in this Offering Circular.

The summary interim financial information as at 30 June 2023 and for the six months ended 30 June 2022 and 2023 has been extracted from the Group's 2023 Interim Financial Statements included in the Group's 2023 Interim Report and prepared in accordance with IFRS. The Group's 2023 Interim Financial Statements (which include the comparative financial information as at and for the six months ended 30 June 2022) have not been audited and should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit, and should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2023. Potential investors should exercise caution when using such information to evaluate the Group's financial condition and results of operations.

The summary interim financial information as at 30 June 2023 and for the six months ended 30 June 2022 and 2023 set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant unaudited but reviewed condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2023, including the notes thereto, which are included elsewhere in this Offering Circular.

Selected Financial Information

Consolidated Income Statements Data

	Year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022 (Unaudited)**	**2023 (Unaudited)**
	(in millions of Renminbi, except per share amounts)				
Interest income	286,593	277,679	262,937	131,728	133,080
Interest expense	(151,369)	(151,904)	(155,474)	(76,905)	(81,746)
Net interest income	**135,224**	**125,775**	**107,463**	**54,823**	**51,334**
Fee and commission income	33,113	33,135	25,470	12,253	13,441
Fee and commission expense	(5,449)	(5,569)	(5,196)	(2,388)	(2,605)
Net fee and commission income	**27,664**	**27,566**	**20,274**	**9,865**	**10,836**
Net trading gain	4,212	3,110	4,690	3,814	2,848
Net gain from investment securities	13,394	7,346	4,357	3,011	3,609
Including: disposals of financial assets measured at amortised cost	(184)	744	2,202	246	850
Net other operating income	1,313	1,757	2,435	1,223	1,241
Operating expenses	(50,485)	(51,181)	(52,602)	(21,947)	(22,179)
Credit impairment losses	(92,988)	(77,398)	(48,762)	(23,960)	(22,210)
Other impairment losses	(1,628)	(1,375)	(685)	(310)	(732)
Profit before income tax	**36,706**	**35,600**	**37,170**	**26,519**	**24,747**
Income tax expense	(1,604)	(747)	(1,393)	(1,635)	(775)
Net profit	**35,102**	**34,853**	**35,777**	**24,884**	**23,972**
Net profit attributable to:					
Equity holders of the Bank	34,309	34,381	35,269	24,638	23,777
Non-controlling interests	793	472	508	246	195
Earnings per share (in Renminbi)					
Basic and diluted earnings per share	0.71	0.71	0.71	0.49	0.46

Consolidated Statements of Financial Position Data

	As at 31 December			As at 30 June
	2020	2021	2022	2023 (Unaudited)
	(in millions of Renminbi)			
Assets				
Cash and balances with central bank	401,525	361,302	338,552	354,899
Balances with banks and other financial institutions	52,084	92,546	88,705	114,630
Precious metals	6,782	13,189	25,167	27,993
Placements with banks and other financial institutions	221,908	158,768	182,434	188,526
Derivative financial assets	42,285	27,461	33,878	40,635
Financial assets held under resale agreements	21,464	1,362	3,010	10,025
Loans and advances to customers	3,782,297	3,967,679	4,072,982	4,322,267
Financial investment:				
– Financial assets at fair value through profit or loss	322,480	300,684	389,070	386,582
– Financial assets at fair value through other comprehensive income	470,122	435,529	473,211	409,596
– Financial assets measured at amortised cost	1,328,048	1,298,220	1,363,589	1,496,330
Long-term receivables	127,853	122,716	111,456	115,628
Property and equipment	51,129	56,786(1)	58,896	60,204
Right-of-use assets	14,331	14,105	13,146	12,752
Deferred income tax assets	50,033	51,904	55,701	56,977
Investments in associates	2	2	–	–
Other assets	57,890	50,533(1)	45,876	44,407
Total assets	**6,950,233**	**6,952,786**	**7,255,673**	**7,641,451**
Liabilities				
Borrowings from central bank	292,352	279,787	144,801	180,971
Deposits and placements from banks and other financial institutions	1,069,721	1,294,358	1,479,041	1,532,692
Financial liabilities at fair value through profit or loss	3,293	2,856	1,915	20,506
Borrowings from banks and other financial institutions	131,018	114,461	105,229	108,748
Derivative financial liabilities	42,675	26,114	32,675	41,844
Financial assets sold under repurchase agreements	65,318	36,485	104,140	131,663
Deposits from customers	3,768,151	3,825,693	4,051,592	4,300,243
Lease liabilities	10,267	10,225	9,426	9,058
Provisions	2,021	2,250	2,456	2,345
Debt securities issued	957,880	711,024	648,107	628,199
Current income tax liabilities	18,589	8,811	5,040	4,429
Deferred income tax liabilities	117	247	236	242
Other liabilities	47,583	53,936	58,201	53,820
Total liabilities	**6,408,985**	**6,366,247**	**6,642,859**	**7,014,760**

	As at 31 December			As at 30 June
	2020	2021	2022	2023 (Unaudited)
	(in millions of Renminbi)			
Equity				
Share capital	43,782	43,782	43,782	43,782
Other equity instruments	69,860	89,964	94,962	94,962
Including:				
Preference shares	29,867	19,975	19,975	19,975
Perpetual bonds	39,993	69,989	74,987	74,987
Capital reserve	57,419	58,149	58,149	58,149
Other reserves	(1,849)	385	(612)	1,953
Surplus reserve	48,479	51,843	55,276	55,276
General reserve	86,599	87,013	90,494	90,673
Retained earnings	225,247	243,144	257,877	268,624
Total equity attributable to equity holders of the Bank	529,537	574,280	599,928	613,419
Non-controlling interests	11,711	12,259	12,886	13,272
Total equity	**541,248**	**586,539**	**612,814**	**626,691**
Total liabilities and equity	**6,950,233**	**6,952,786**	**7,255,673**	**7,641,451**

(1) These items have been restated to conform to the presentation and disclosure as at and for the year ended 31 December 2022 set out in the Group's audited consolidated financial statements as at and for the year ended 31 December 2022.

Selected Consolidated Statements of Cash Flows Data

	Year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022 (Unaudited)	2023 (Unaudited)
	(in millions of Renminbi)				
Net cash flow from operating activities	(82,402)	155,417	166,273	81,922	108,631
Net cash flow from investing activities	7,660[(1)]	117,908	(112,327)	(118,371)	(2,693)
Net cash flow from financing activities	91,965[(1)]	(266,720)	(96,205)	32,911	(41,417)

(1) These items have been restated to conform to the presentation and disclosure as at and for the year ended 31 December 2021 set out in the Group's audited consolidated financial statements as at and for the year ended 31 December 2021.

Selected Financial Ratios

	Year ended/as at 31 December			For the six months ended/as at 30 June
	2020	2021	2022	2023
	(unaudited, in per cent., except ratios)			
CARs calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional)				
Core tier 1 CAR	8.51	9.04	9.17	8.90
Tier 1 CAR	9.81	10.73	10.91	10.54
CAR	13.04	13.64	13.14	12.69
Assets quality indicators				
NPL ratio(1)	1.82	1.79	1.68	1.57
Allowance to NPLs(2)	139.38	145.30	142.49	146.85
Allowance to total loans(3)	2.53	2.60	2.39	2.31
Profitability indicators				
Net interest margin(4)	2.14	1.91	1.60	1.48
Return on average assets(5)	0.51	0.50	0.50	0.64
Return on weighted average equity(6)	6.81	6.59	6.31	7.88
Cost-to-income ratio(7)	26.64	29.74	36.44	30.25
Net fee and commission income to operating income ratio(8)	15.22	16.65	14.56	15.51
Liquidity indicators				
Liquidity ratio(9)	49.72	46.11	50.21	47.22
Liquidity coverage ratio(10)	128.37	133.42	134.89	131.84

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

(2)(3) Allowance to NPLs and allowance to total loans were calculated according to Notice on the Regulatory Requirement on Adjustment to Allowance for Impairment Losses on Loans of Commercial Banks (《關於調整商業銀行貸款損失準備監管要求的通知》) (Yin Jian Fa [2018] No. 7) promulgated by the CBIRC. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

(4) Calculated by dividing net interest income by daily average balance of interest-earning assets.

(5) Calculated based on net profit divided by the average of the opening and closing balance of total assets.

(6) Calculated according to the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號–淨資產收益率和每股收益的計算及披露》(2010年修訂)) promulgated by the CSRC.

(7) Calculated based on operating and other operating expenses minus business tax and surcharges and then divided by operating income.

(8) Calculated based on net fee and commission income divided by operating income.

(9) Bank standalone basis. The indicators were calculated based on the relevant regulations of the Chinese banking regulators.

(10) Calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

An investment in the Notes is subject to significant risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below. The following factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Bank or which the Bank currently deem to be immaterial, may affect the Group's *business, financial condition or results of operations or the Bank*'s *ability to fulfil its obligations under the Notes.*

RISKS RELATING TO THE GROUP'S LOAN PORTFOLIO

The Group may have to increase its allowance for impairment losses to cover future actual losses and estimated losses to its loan portfolio.

The Group provides for an allowance for impairment losses on loans to customers. As at 31 December 2020, 2021 and 2022, and as at 30 June 2023, the Group's total allowance for impairment losses was RMB96,542 million, RMB103,806 million and RMB97,639 million, and RMB100,276 million, and the percentage of the allowance to total loans was 2.53 per cent., 2.60 per cent. and 2.39 per cent., and 2.31 per cent., respectively. For the year ended 31 December 2022, the Group's impairment loss on credit decreased to RMB48,762 million by 37.00 per cent. from RMB77,398 million for the year ended 31 December 2021, which was primarily due to the decreases in impairment losses on loans and advances to customers and financial investments measured at amortised cost. See also "*Risks relating to the Global and PRC Economy – Uncertainties in the global economy and, in particular, the PRC economy and the financial market could materially and adversely affect the Group*'s *financial condition and results of operations*". The amount of the allowance for impairment losses is based on the assessment of various factors affecting the quality of loan portfolio under the applicable regulations and accounting standards including, amongst other things, borrowers' operational and financial conditions, repayment ability, repayment intention, the realisable value of any collateral or securities and the ability of the guarantors of borrowers to fulfil their obligations, as well as China's economic, legal and regulatory environments. Many of these factors are beyond the control of the Group, and therefore assessment and expectations of such factors may differ from actual future developments. Furthermore, the adequacy and sufficiency of allowance for impairment losses may be affected by the limitations of skills in and systems for assessing impairment losses as well as the Group's ability to accurately collect, process and analyse relevant information and data.

If the assessment of, or expectations concerning, the factors that affect the quality of its loan portfolio differs from actual developments or if the quality of its loan portfolio deteriorates, the allowance for impairment losses may not adequately cover the Group's actual losses, and the Group may need to make additional provisions for impairment losses. In addition, the allowance for impairment losses may increase as a result of future regulatory and accounting policy changes, inaccuracies in loan classification or conservative policy for providing for allowance for impairment losses. Any of the above may significantly reduce the profitability of the Group and materially and adversely affect its business, financial condition, results of operations and prospects.

If the Group is unable to effectively maintain the quality of the loan portfolio and the new loans the Group extends in the future, its business could be materially and adversely affected.

The Group's results of operations could be materially and adversely affected by deterioration in the quality of its loan portfolio or other assets. Risks arising from the Group's trading and investment activities and from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. The Group's NPL ratios were 1.82 per cent., 1.79 per cent. and 1.68 per cent., and 1.57 per cent. as at 31 December 2020, 2021 and 2022, and as at 30 June 2023, respectively. The Group's special-mention loans constituted 2.98 per cent., 2.85 per cent. and 2.89 per cent., and 2.68 per cent. of its gross loans and advances to customers as at 31 December 2020, 2021 and 2022, and as at 30 June 2023, respectively. The Group's impaired restructured loans and advances which were not past due or past due for no more than 90 days represented 0.24 per cent., 0.14 per cent. and 0.09 per cent., and 0.04 per cent. of its total loans and advances to customers as at 31 December 2020, 2021 and 2022, and as at 30 June 2023, respectively.

The Group may not be able to effectively control the level of impaired loans in the current loan portfolio or effectively control the level of new loans that may become impaired in the future. In particular, the amount of the impaired loans may increase in the future due to the substantial increase in new loans over the recent years and/or a deterioration in the quality of the loan portfolio. The Group's total loans and advances to customers have increased from RMB3,853.9 billion as at 31 December 2020 to RMB4,045.69 billion as at 31 December 2021, and further increased to RMB4,141.1 billion as at 31 December 2022, and further increased to RMB4,390.9 billion as at 30 June 2023, while impaired loans were fluctuating at the same time, amounting to RMB73,665 million, RMB80,329 million, RMB79,139 million and RMB86,448 million as at the same dates, respectively. Allowance for impairment losses on loans increased by 2.49 per cent. from RMB98,868 million as at 31 December 2022 to RMB101,331 million as at 30 June 2023. See also "*Risks relating to the Global and PRC Economy – Uncertainties in the global economy and, in particular, the PRC economy and the financial market could materially and adversely affect the Group*'s *financial condition and results of operations*".

Deterioration in the quality of the loan portfolio or other assets may occur for a variety of reasons, many of which are beyond the Group's control, such as a slowdown in growth of the PRC or global economies due to a relapse of a global credit crisis and other adverse macroeconomic trends in the PRC and other parts of the world, which may cause operational, financial and liquidity problems for the borrowers as well as materially and adversely affect their ability to service their outstanding debt. Actual or perceived failure or worsening credit of counterparties, declines in residential and commercial property prices, higher unemployment rates and reduced profitability of corporate borrowers may reduce the Group's asset quality and may lead to a significant increase for the allowance in the impaired loans. There is no assurance that the quality of its loan portfolio will not deteriorate. If the Group is unable to effectively maintain the quality of its loan portfolio due to the above reasons, the level of the impaired loans, non- performing loans and allowance for impairment losses on loans may increase, which may materially and adversely affect its business, financial condition and results of operations.

A large portion of the Group's loan portfolio is made to corporate customers in certain industries, and any economic downturn impacting such industries or customers could materially and adversely affect the Group's business.

The Group's loans to corporate customers are concentrated in industries that the Group believes have strong growth potential and are important to the business. As at 30 June 2023, the Group's corporate loans represented 60.03 per cent. of its total loans. As at 30 June 2023, the Group's loans to borrowers in the leasing and commercial services, manufacturing, real estate, wholesale and retail, and water, environment and public utilities management sectors were approximately 12.90 per cent., 10.41 per cent., 8.70 per cent., 6.59 per cent. and 4.13 per cent. of the Group's corporate loans, respectively. Any deterioration of the manufacturing or real estate industries, or other above-mentioned industries in the PRC as a result of the global economic downturn or the PRC government's macroeconomic control measures relating to the manufacturing or real estate industries or the relevant industries may have an adverse impact on the value of loans made to these customers.

For example, the PRC government has in recent years, from time to time, imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating. Such factors may adversely affect the growth and quality of the Group's loans to the real estate industry and its financial condition and results of operations. Moreover, deterioration in the financial condition of the borrowers in any of the aforementioned industries, as well as any industry-specific difficulties in these sectors, could materially and adversely affect the quality of the existing loans and the Group's ability to generate new loans, and could have a material adverse effect on its business, financial condition and results of operations.

As at 30 June 2023, the corporate NPLs of the Group were mainly concentrated in the real estate and manufacturing industries. Total NPLs of the two major industries amounted to RMB27,757 million, accounting for 62.79 per cent. of total corporate NPLs. The increase of corporate NPLs from RMB43,276 million as at 31 December 2022 to RMB44,206 million as at 30 June 2023 was mainly due to that the balances of NPLs of the real estate industry, the leasing and commercial services industry and the manufacturing industry increased by RMB4,053 million, RMB1,627 million and RMB652 million, respectively, as compared with that as at 31 December 2022, as a result of the impacts of the macro-economic environment, industries and other factors. As at 30 June 2023, the NPL ratio of corporate real estate business of the Group was 5.13 per cent., representing an increase of 0.85 per cent. as compared with that as at 31 December 2022. There is no assurance that the macro-economic and micro-economic environment would not continue to impact on the above-mentioned industries, and if the Group's corporate customers in these industries fail to cope with the adverse impact or to maintain their market competitiveness, the quality of the Group's loans will be materially adversely affected.

A large portion of the Group's personal loans and advances consist of micro-lending, and any economic downturn impacting such customers could materially and adversely affect the Group's business.

A large portion of the Group's personal loans and advances consists of micro-lending, which is targeted at micro enterprise owners and proprietors. The outstanding balance of the Group's micro-lending was RMB511.4 billion, RMB577.3 billion and RMB621.6 billion, and RMB659.0 billion as at 31 December 2020, 2021 and 2022, and as at 30 June 2023, respectively, representing 32.0 per cent., 33.2 per cent., 35.7 per cent. and 37.5 per cent., of the Group's total personal loans and advances as at the same dates, respectively. Any deterioration in the operation of these micro businesses as a result of economic slowdown, deflation or inflation and changes in labour market conditions could materially and adversely affect the quality of the existing loans, and could have a material adverse effect on its business, financial condition and results of operations.

The Bank's loans to certain local government financing vehicles ("LGFVs") may subject the Bank to conditions and risks beyond the Bank's control.

LGFVs are legal entities established by local government, mainly to provide ministerial financing or third party financing to municipal infrastructural constructions. The funds raised by LGFVs are primarily used for infrastructure construction and development.

Recently, with the aim of reinforcing the risk management of loans to LGFVs, the PRC State Council, the CBIRC and the PBOC, along with several other PRC regulatory authorities promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to optimise and strengthen their risk management measures regarding their loans to LGFVs. Pursuant to applicable laws and regulations, unless otherwise provided by law and the State Council, local governments and their departments, organisations, and institutions that are funded primarily by fiscal budget are not permitted to use fiscal income or the state-owned assets of administrative institutions to provide guarantee, or otherwise directly or indirectly provide any form of security, for fund-raising by LGFVs. In addition, the projects run by LGFVs are carried out primarily for public interest purposes and are not necessarily commercially viable. As a result, the ability of an LGFV borrower to repay its loans may significantly depend on its ability to receive fiscal support from the government, which may not always be available due to the government's liquidity, budgeting priories and general economic environment, amongst other things.

Further, there is no guarantee that the quality of the Bank's loans to these LGFVs will not be affected by macro-economic fluctuations, changes to national economic policies, the management of construction projects and other external reasons. If the level of the Group's impaired loans increases, its business, financial condition and results of operations may be materially and adversely affected.

The Bank's interbank lending activities and asset purchasing activities amongst the commercial banks are subject to PBOC regulations.

PBOC regulates the interbank lending activities and asset purchasing activities amongst the commercial banks through market-entry authorisation. As at 30 June 2023, the Group's placements with banks and other financial institutions amounted to RMB166.5 billion and financial assets held under resale agreements amounted to RMB10.03 billion, accounting for 2.33 per cent. and 0.14 per cent. of its total assets, respectively. As at 30 June 2023, the Group's deposits and placements from banks and other financial institutions amounted to RMB1,414.1 billion and the financial assets sold under repurchase agreements amounted to RMB109.2 billion, accounting for 21.37 per cent. and 1.65 per cent. of its total liabilities, respectively. According to the Notice on Regulating the Interbank Business of Financial Institutions (關於規範金融機構同業業務的通知) jointly issued by PBOC, CBRC, CSRC, CIRC and SAFE on 24 April 2014, the net balance of interbank lending of a commercial bank to a single incorporated financial institution (excluding interbank deposits for settlement purposes), after deducting assets with zero risk weight, shall not exceed 50 per cent. of tier-one capital. The balance of interbank borrowing shall not exceed one third of its total liabilities. If the macro or micro environment of the interbank markets changes and the banks or other financial institutions cannot repay the Group of its loans or interests of the loans, the business, financial condition and results of operations of the Group may be materially and adversely affected.

The wealth management products that the Group distributes involve various risks and the Group's failure to identify or fully appreciate such risks will negatively affect its reputation, client relationships, operations and prospects.

The Group distributes a broad variety of wealth management products supplied by third party product providers, including fixed income products, private equity products, investment in funds focusing on publicly traded stocks and investment linked insurance products. The Group's wealth management products often have complex structures and involve various risks, including default risks, interest risks, liquidity risks and other risks. The Group's success in distributing these products depends, in part, on its successful identification and full appreciation of risks associated with such products. If it fails to identify and fully appreciate the risks associated with products it distributes to its clients, or fails to disclose such risks to its clients, and as a result its clients suffer financial loss or other damages resulting from their purchase of the wealth management products following the Group's wealth management and product recommendations and services, the Group's reputation, client relationships, business and prospects will be materially and adversely affected.

Furthermore, the wealth management products of the Group are subject to a number of PRC regulations, including, amongst other things, the following regulations:

- in relation to strengthening the supervision and administration of the wealth management business of commercial banks, promoting the standard and sound development of the wealth management business of commercial banks and protecting the lawful rights and interests of investors, the Measures for the Supervision and Administration of the Wealth Management Business of Commercial Banks (商業銀行理財業務監督管理辦法);

- in relation to the granting of permission to duly licenced commercial banks to make overseas investments using funds from investors in pre-approved financial products on behalf of domestic institutions and individuals, the Interim Administrative Measures for Commercial Banks to Provide Overseas Financial Management Services (商業銀行開辦代客境外理財業務管理暫行辦法); and

- in relation to strengthening the supervision and administration of wealth management subsidiary companies of commercial banks and protecting the lawful rights and interests of investors, Measures for the Administration of Wealth Management Subsidiary Companies of Commercial Banks (商業銀行理財子公司管理辦法).

Should the Group fail to comply with the relevant wealth management regulations, the Group may be subject to legal proceedings which will in turn materially and adversely affect the Group's reputation, client relationships, business and prospects.

The collateral or guarantees securing the Group's loans may not be sufficient, and the Group may be unable to realise the value of the collateral or guarantees in a timely manner or at all.

As at 30 June 2023, 72.48 per cent. of the Group's loans were secured by collateral or guarantees. A substantial portion of the Group's loans were secured by real estate and other tangible assets (other than monetary assets) in the PRC, the value of which may fluctuate and decline due to various factors, including those affecting the PRC economy in general. For example, a slowdown in the PRC economy may lead to a downturn in the real estate market, which may in turn result in declines in the value of the real estate properties securing the Group's loans to levels below the outstanding principal balance of such loans. Moreover, the growth of the real estate industry and price of real estate properties in the PRC are significantly influenced by macroeconomic policies of the government, such as interest rate and credit policies. The Group mainly relies on internal periodical re-evaluations of collateral for impairment testing purposes, rather than periodic re-evaluations by independent appraisers. This in turn could affect the accurate assessment of the values of collateral. Should the Group's collateral prove to be insufficient to cover the related loans, the Group may have to obtain additional collateral from the borrowers and there is no assurance that the Group could obtain such additional collateral on time or at all. Declines in the price of the Group's collateral or its inability to obtain additional collateral may result in loan impairment and require it to make additional provisions for loan impairment, and may materially and adversely affect the Group's business, financial condition and results of operations.

The loan classification and provisioning policies for impairment losses of the Group may differ in some respects from those applicable to commercial banks in certain other countries or regions.

The Group classifies its loans using a five-category loan classification system in accordance with the guidelines set forth by the PRC regulators. The five categories are pass, special-mention, substandard, doubtful and loss. In addition, the Group reviews its loan portfolios to assess impairment regularly. In determining whether a provision for loan impairments should be recorded in the income statement, the Group evaluates whether there is any observable data indicating that there is a decrease in the estimated future cash flow from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults of borrowers. The loan classification and provisioning policies for impairment losses of the Group may differ in some respects from those applicable to banks in other countries or regions. As a result, disclosure of the Group's loan classification and provisioning policies may be different from those disclosed by the banks incorporated in other countries or regions.

The Group is exposed to risks due to its investments in loans and receivables.

The Group's financial assets include investments in loans and receivables. The underlying assets mainly include wealth management products, trusts and other asset management plans. There is no assurance that there is transparency with respect to the underlying assets, and the Group is exposed to risks relating to this lack of transparency.

In addition, whilst the Group has made provisions to cover the potential risks of its investments in receivables, the Group determines the amount of the provisions based on its assessment of various factors affecting the quality of the receivables, many of which are beyond the Group's control, and the Group's assessment and expectation of these factors may differ from their future development.

The adequacy of the Group's provisions for investments in receivables depends on the reliability and effectiveness of its systems for evaluating the potential losses and its ability to collect, process and analyse information. If the Group is not able to fully apply these systems, or its ability to collect, process and analyse information is impaired, or its assessments and expectations of the factors affecting the quality of the receivables differ from their actual developments, the provisions the Group made for these loans and receivables may be inadequate to cover the actual losses. The Group's business, financial condition, results of operations and prospects may therefore be materially and adversely affected.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group may not be able to satisfy the capital adequacy requirements established by the CBIRC.

The Group is subject to capital adequacy guidelines set by the NAFR. The CBRC promulgated the Measures on Capital Management of Commercial Banks (Trial) (商業銀行資本管理辦法(試行)) (the "**Capital Management Rules**") on 7 June 2012 based on the reform of the banking industry and the existing regulatory framework of the PRC. The Capital Management Rules establish a unified regulatory system in respect of the capital adequacy ratio, clarify the definition of capital, expand the range of capital risk coverage, raise the bottom line for the capital adequacy ratio and set a six-year transition period (from 2013 to 2018) for banks to comply with capital adequacy ratio requirements. On 26 October 2023, the NAFR updated Capital Management Rules by promulgating the Measures on Capital Management of Commercial Banks (商業銀行資本管理辦法) which became effective from 1 January 2024. As a result, the Bank is required to maintain a minimum core tier one capital adequacy of five per cent., a minimum tier one capital adequacy of six per cent., a minimum capital adequacy of eight per cent and a minimum capital conservation buffer of 2.5 per cent. In addition, each domestic systemically important bank is required to maintain a further capital surcharge above prevailing Core Tier 1 Capital requirements as separately stipulated by the PBOC in conjunction with the NAFR. According to Additional Regulatory Rules for Systemically Important Banks (for Trial Implementation) (系統重要性銀行附加監管規定(試行)), as one of the domestic systemically important banks, the Bank is currently required to maintain certain additional capital requirements in addition to prevailing minimum capital requirements. NAFR may further increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios, or the Group may otherwise be subject to new capital adequacy requirements or new capital measurement approaches, such as advanced capital measurement approach. The Group's inability to maintain these capital adequacy ratios may result in the NAFR taking corrective measures against the Group, including restricting its ability to distribute cash dividends and/or open new branches, which may affect the Group's business expansion or otherwise materially and adversely affect its business.

The Group's capital adequacy could be negatively affected by deterioration in the Group's financial condition, including an increase in the level of its impaired loans, or if its growth places capital demands in excess of what the Group is able to generate internally or raise in the capital markets or through alternative means. As at 31 December 2020, 2021 and 2022, and as at 30 June 2023, the Group's Core Tier 1 Capital Adequacy Ratio was 8.51 per cent., 9.04 per cent. and 9.17 per cent., and 8.90 per cent., respectively, and the Group's Tier 1 Capital Adequacy Ratio was 9.81 per cent., 10.73 per cent. and 10.91 per cent., and 10.54 per cent., respectively, and the Group's Capital Adequacy Ratio was 13.04 per cent., 13.64 per cent. and 13.14 per cent., and 12.69 per cent., respectively, all calculated in accordance with and complying with the relevant laws and regulations at such dates.

Moreover, there is no assurance that the Group's capital will not be affected in the future by developments that will prevent the Group from satisfying the current capital adequacy requirements, including but not limited to:

- increase of its risk-weighted assets as a result of the rapid expansion of its business;
- its inability to timely supplement or increase the Group's capital;
- losses resulting from deterioration in asset quality;
- changes in accounting rules or in the guidelines regarding the calculation of the capital adequacy ratios of commercial banks; and
- changes in definition of systemically important banks by the relevant regulator which may increase minimum capital adequacy requirements that the Group should satisfy.

Furthermore, the Group's ability to raise additional capital in the future may be limited by numerous factors, including but not limited to:

- its future financial condition, results of operations and cash flows;
- conditions prescribed by PRC law and regulatory approvals;
- its credit rating;
- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- domestic and international economic, political and other conditions.

If the Group requires additional capital in the future, the Group may not be able to obtain such capital in a timely manner or at all. The Group may face difficulties in meeting these requirements in the future. If the Group is unable to meet the capital adequacy requirements for any reason, such as its inability to secure additional capital or an increase to the capital adequacy requirements by the relevant regulator, such regulator may take corrective measures against the Group. These measures could materially and adversely affect the Group's reputation, financial condition and results of operations.

The Group may not be able to successfully maintain growth or otherwise obtain sufficient resources to support such growth.

In the past several years, the Group has managed to secure robust compound annual growth rates of total deposits from customers and net profit. However, such growth has been and will continue to be affected by macroeconomic factors affecting the PRC such as GDP growth, changes in law or regulations concerning banking and financial products, changes in implementation of macroeconomic control policies, changes to inflation levels, changes in market liquidity and credit policies, changes in demand for loans, changes to interest rates and competition. For the six months ended 30 June 2023, the Group had a net profit of RMB23,972 million, representing a decrease of 3.67 per cent. as compared to RMB24,884 million for the six months ended 30 June 2022. See also "*Description of the Bank – Overview*". The Group may not be able to successfully maintain its growth rates due to an unfavourable change in one or more of the above factors or other factors, which may materially and adversely affect the Group's financial condition and results of operations. As a result, there is no assurance the Group will be able to maintain the rapid growth it has historically experienced.

In addition, the maintenance of the Group's growth will continue to require substantial managerial and operational resources. The Group may not be able to retain and attract qualified personnel to satisfy the growth needs. See "*– The Group may not be able to hire, train or retain a sufficient number of qualified staff.*" The Group may also need additional capital in the future, and it may not be able to obtain such capital on acceptable terms to support its business development. Any occurrences of the above factors may materially and adversely affect its business, financial condition and results of operation.

If the Group is unable to maintain its growth rate in customer deposits or if there is a significant decrease in its customer deposits, the Group's business operations and its liquidity may be adversely affected.

Customer deposits remain the Group's primary funding source. From 31 December 2020 to 31 December 2022, the Group's total deposits from customers (excluding accrued interest) grew from RMB3,728.2 billion to RMB3,993.5 billion, which further grew to RMB4,241.5 billion as at 30 June 2023. However, there are many factors affecting the growth of deposits, some of which are beyond the Group's control, such as economic and political conditions, the availability of alternative investment choices and retail customers' changing perceptions toward savings. As a result, there is no assurance that the Group will be able to grow its customer deposits at a pace sufficient to support its expanding business.

If the Group is unable to maintain the growth rate in deposits from customers or if a substantial portion of the depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Group may need to seek more expensive sources of funding to meet its funding requirements. In case of such events, the Group's liquidity position, financial condition and results of operations may be materially and adversely affected.

If the Group's asset quality declines or it experiences greater loan losses than anticipated, the earnings and overall financial condition of the Group will be adversely affected even further.

The Group's assets are primarily comprised of loans. The risk of credit losses on loans varies depending on, amongst other things, general economic conditions, the type of loan being made, the creditworthiness of the borrower over the term of the loan and, in the case of a collateralised loan, the value and marketability of the collateral for the loan. In addition, the Group also carries the risk of non-payment of loans, which has a significant adverse effect on its earnings and overall financial condition. As at 30 June 2023, the Group's allowance to total loans was 2.31 per cent. and the NPL ratio was 1.57 per cent.

To minimise the likelihood of a substandard loan portfolio, the Group assesses the credit worthiness of customers and performs collateral valuations. The management of the Bank also maintains an allowance for loan losses based upon, amongst other things, historical experience and an evaluation of economic conditions and regular reviews of delinquencies and loan portfolio quality. Based upon such factors, the management of the Bank makes various assumptions and judgements about the repayment probability of the loan portfolio and provides an allowance for loan losses based upon a percentage of the outstanding balances and takes a charge against earnings with respect to specific loans when their repayment probability is considered questionable. If such assumptions and judgements prove to be incorrect and the allowance for loan losses is inadequate to absorb losses, or if regulatory authorities require the Bank to increase its allowance for loan losses as a part of their examination process, additional provision expense would be incurred and the earnings and capital of the Bank could be significantly and adversely affected.

There is no assurance that various cost control strategies and measures of the Group will be continually and effectively implemented in the future and achieve their expected effects.

For the years ended 31 December 2020, 2021 and 2022, and for the six months ended 30 June 2022 and 2023, the Group's cost-to-income ratio[1] was 26.64 per cent., 29.74 per cent. and 36.44 per cent., and 28.96 per cent. and 30.25 per cent., respectively. There is no assurance that various cost control strategies and measures of the Group will continue to be effectively implemented in the future. In addition, the Group may not be able to adjust its cost control strategies and measures to respond to changes in the macroenvironment or to support its business development in a timely manner, or at all. If expected effects of such strategies and measures cannot be achieved, the Group's operating costs may increase, which may in turn adversely affect the financial condition and results of operations of the Group.

1 Cost-to-income ratio = (Operating expenses and other operating expenses – tax and surcharges)/operating income.

The Group may not be able to detect and prevent fraud, corruption or other misconduct committed by its employees or third parties.

The Group is exposed to fraud, corruption or other misconduct committed by its employees, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities as well as seriously harming its reputation. The Group's management information systems and internal control procedures are designed to monitor its operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud, corruption and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. Therefore, there will continue to be the risk that fraud, corruption and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on the Group's business reputation, financial condition and results of operations.

Any deficiencies in the Group's risk management and internal control system may adversely affect the Group's financial condition and results of operations.

With the expansion of its businesses, products and services, the Group may face significant challenges in risk management and may need to further improve its risk management system. As at 30 June 2023, total NPLs of the Group amounted to RMB69,003 million, representing a decrease of 0.55 per cent. from RMB69,387 million as at 31 December 2022. As at 30 June 2023, the NPL ratio was 1.57 per cent., representing a decrease of 0.11 percentage points as compared to 1.68 per cent. as at 31 December 2022. As at 30 June 2023, the allowance for impairment losses on loans was RMB101,331 million, representing an increase of 2.49 per cent. from RMB98,868 million as at 31 December 2022. The Group has adopted measures, policies and procedures to improve its risk management and internal control system and strengthen consolidated balance sheet risk management. However, such measures, policies and procedures may not be effective in managing the relevant risks. As a result, the Group's risk management and internal control system may need to be improved. Any deficiencies in the Group's risk management system may affect the Group's ability to respond to these risks in a timely manner. If the risk management system of the Group is unable to effectively manage relevant risks, or if the Group fails to effectively enforce, follow or continue to improve its credit risk management policies and guidelines, its financial condition and results of operations may be adversely affected.

The Group will be exposed to various risks as it expands its range of products and services.

The Group has expanded and will continue to expand its products and services to its customers. The expansion of the range of products and services has and will expose the Group to new and potentially increasingly challenging risks, including without limited to the following:

- the Group may have insufficient experience or expertise in certain new products and services, which may, amongst other things, lead to insufficient disclosure of all risks associated with the products and services to its customers;

- the Group may be unable to provide customers with sufficient customer service for new products and services, including the handling of customer complaints;

- the Group's new products and services may not be accepted by its customers, or meet its profitability expectations;

- the Group's new products and services may be duplicated by its competitors;

- the Group may need to hire additional qualified personnel but be unable to do so;

- the Group may be unable to obtain or maintain regulatory approval for its new products and services; and

- the Group may not be successful in enhancing its risk management capabilities or information technology systems to support a broader range of products and services.

If the Group is unable to achieve the intended commercial results with respect to its new products and services, its business, financial condition, results of operations and prospects could be materially and adversely affected. Furthermore, if the Group is unable to provide sufficient information to its customers or otherwise comply with relevant banking regulations in the sales and marketing of its financial products and services, the Group may be subject to legal proceedings or regulatory sanctions, which in turn could lead to significant financial losses and reputational damage.

Failure by the Bank to meet its environmental, social and governance (“ESG”) or corporate social responsibility (“CSR”) goals may have an adverse effect on the Bank’s performance.

The Bank takes its corporate social responsibilities seriously and seeks to serve the public, promote the people’s livelihoods, and become a time-honored bank. Committed to establishing a high-level ESG management system, the Bank constantly improved its ESG governance structure, strengthened the implementation of ESG philosophies and innovated ESG practices to fully integrate ESG into corporate governance and operation management, so as to continuously improve the level of ESG management. The Bank also paid great attention to environmental protection and climate change, actively responded to the national initiative of building a beautiful China and China’s goal of peaking carbon dioxide emissions before 2030 and reaching carbon neutrality before 2060, and has proactively identified the potential risks and opportunities brought by the national “Carbon Peaking and Carbon Neutrality” policies, promoted the implementation of the green finance development strategy, and supported a green, low-carbon and circular economy. The Bank attaches great importance to the strategies related to green development, and has focused green finance and ESG management as an important part and direction in its five-year development plan.

Furthermore, the Bank also publishes its Environmental, Social and Governance Report and Corporate Social Responsibility Report annually, which set out the Bank’s implementation strategies and goals (such as energy saving and carbon reduction goals, waste reduction goals and water saving goals) and proposed business processes and standards, with respect to ESG and CSR. Any failure by the Bank to meet any of the strategies, goals, processes and standards mentioned above, or any failure by the Bank to satisfy investor or other stakeholder expectations or standards in the execution of its ESG and/or CSR strategies, may affect the Bank’s current and future business performance, results of operations and reputation. These may in turn negatively affect the Bank’s ability to service the Notes and to satisfy its other obligations under the Notes.

The Group is subject to counterparty risks in its derivative transactions.

The Group acts primarily as an intermediary in domestic and international foreign exchange and derivatives markets, and the Group currently has foreign currency forward and swap arrangements with a number of domestic and international banks, financial institutions and other entities. The Group has also entered into interest rate swap arrangements and is subject to counterparty risks. There is no assurance that counterparties with significant exposures will not face difficulty in paying the amounts on derivative contracts when due, which may result in financial losses to the Group.

The Group is subject to risks associated with off-balance-sheet commitments.

In the ordinary course of business, the Group makes commitments and guarantees that are not reflected on its balance sheet, including the provision of financial guarantees and letters of credit to guarantee the performance of its customers to third parties and bank acceptances. The Group is subject to credit exposure associated with its credit commitments. If the Group is not able to obtain payment from its customers in respect of these commitments and guarantees, the Group's financial condition and results of operations may be adversely affected.

The Group is subject to supervision and inspection of regulators in jurisdictions where it operates.

The Group is subject to supervision and inspection by the PRC's regulatory institutions, including MOF, PBOC, NAFR, CSRC, SAT, the State Administration for Market Regulation (國家市場監督管理總局), SAFE, the National Audit Office and the Asset Management Association of China (中國證券投資基金業協會) (the "**AMAC**"). Furthermore, the Group is also subject to inspection and supervision of regulatory institutions in locations where it operates. The Group must follow local laws, regulations and regulatory requirements of relevant local regulatory institutions. The Bank and its subsidiaries, as well as directors, officers or employees, have been subject to regulatory censure as may be announced by the Bank from time to time and there can be no assurance that the Bank and its subsidiaries will be able to comply with the applicable laws and regulatory requirements at all times. Any failure of the Group to comply with these requirements may result in fines, penalties or sanctions. There is no assurance that any failure to comply with applicable laws and regulations or any fines, penalties or sanctions in connection with such failure will not, materially and adversely affect its operations, reputation, business, financial position and results of operations of the Group.

The Group may not be able to hire, train or retain a sufficient number of qualified staff.

The Group relies upon the continued service and performance of its employees, including its senior management, as most aspects of its business depend on the quality of its professional staff. Therefore, the Group devotes considerable resources to recruiting and training these personnel. However, the Group faces increased competition in recruiting and retaining these individuals, including its senior management, as other banks are competing for the same pool of potential employees. In addition, the Group's employees may resign at any time and may seek to divert customer relationships that they have developed while working for the Group. Some of the Group's employees are not subject to long-term employment contracts. There is no assurance that the Group will be able to retain or recruit qualified staff, or that competition in recruitment will not lead to increases in its employment costs. The loss of members of the Group's senior management team or other key personnel may have a material adverse effect on the Group's business and results of operations.

The Group's business is highly dependent on the proper functioning and improvement of its information technology systems.

The Group's business is highly dependent on the ability of its information technology systems to accurately process a large number of transactions across numerous and diverse markets and its broad range of products in a timely manner. The proper functioning of the Group's financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between its various branches and sub-branches and its main data warehouse, are critical to the Group's business and its ability to compete effectively. The Group has established back-up centres to carry on principal functions in the event of a catastrophe or a failure of its systems. However, there is no assurance that the Group's operations will not be materially disrupted if any of its systems fail, which could be caused by, amongst other things, software bugs, computer virus attacks or conversion errors due to system upgrading, or security breaches.

In addition, there is no assurance that information technology systems the Group implement will allow it to avoid all material credit, market, liquidity or operational risks, nor is there assurance that the systems the Group has integrated will interact successfully and function as intended. Any substantial failure to improve or upgrade the Group's information technology systems effectively or on a timely basis, any substantial problem arising from its data migration or from the interaction between multiple software systems, or any significant human error caused by having new systems, could materially and adversely affect the Group's competitiveness, financial condition and results of operations.

The Group may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation.

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and other jurisdictions where it has operations. The PRC Anti-Money Laundering Law requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, amongst other activities, establish or designate an independent anti-money laundering department, establish a customer identification system in accordance with relevant rules, record the details of customer activities, and report suspicious transactions to relevant authorities.

While the Group has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent the Group fails to fully comply with applicable laws and regulations, the relevant government agencies to whom the Group reports have the power and authority to impose fines, to freeze its assets and to impose other penalties on it, which may adversely affect its business reputation and operations.

Emerging forms of financial services may impact the operations of the traditional banking business.

With the development of the internet finance industry, funds and internet wealth management products have developed quickly. This trend indicates that a large amount of savings deposits may flow out of banks and then return to the banks in the form such as inter-bank deposits. As a result, banks may be subject to increased funding costs and narrowed interest margins, and as a result, reduced profitability.

With the rise of internet finance, the financial services industry has experienced many changes in terms of payment methods, wealth management products and forms of financing which bring new challenges to the traditional banking business. For example, third party payment organisations are growing rapidly, many new wealth management products have been launched and new internet financing forms have been developed. In addition, with the liberalisation of the interest rates regime, internet financing companies can attract customers through higher deposit rates, raising the cost of deposits taken by banks. The increasing popularity of mobile phones and mobile internet device allows customers to reduce reliance on traditional banking websites. There can be no assurance that the increasingly developed new forms of financial services will not adversely affect the Group's existing banking business.

Internet banking services involve risks of security breaches.

Internet banking activities involve the electronic storage and transmission of confidential information, which are vulnerable to unauthorised access, external network attacks and other disruptions. These possible security threats could expose the Group to liability and damage its reputation. Costs incurred in preventing security threats may be high and may adversely affect the Group's business, financial condition and results of operations. The failure of the Group to detect any defects in software products which are used in providing its internet banking services and an unexpected and sudden high volume of internet traffic may have an adverse effect on the Group's internet banking business.

RISKS RELATING TO THE BANKING INDUSTRY IN THE PRC

The PRC banking regulatory regime is continually evolving and the Group is subject to future regulatory changes.

The Group operates in a highly regulated industry and is subject to laws and regulations governing all aspects of its operations. The principal banking-related statutes and regulations are the PRC Commercial Banking Law and the related implementation rules. The principal regulators of the PRC banking industry are the NAFR, PBOC and SAFE.

The PRC banking regulatory regime has been evolving continuously. Some of the changes in the rules and regulations as well as their interpretations may result in additional costs or restrictions on the Group's operations and activities. For example, on 23 October 2015, the PBOC announced reductions to the RMB benchmark interest rates effective from 24 October 2015. The one-year benchmark lending rate was reduced by 0.25 per cent. to 4.35 per cent. and the one-year benchmark deposit rate was reduced by 0.25 per cent. to 1.50 per cent. On 29 February 2016, the PBOC announced reductions of RMB deposit reserve requirement ratio for financial institutions by 0.5 per cent. effective from 1 March 2016. The PBOC may increase or decrease the reserve requirement ratio for PRC banks or revise its calculation basis in the future. In December 2014, the PBOC issued a circular adjusting the statistic calibre of deposit from 1 January 2015. Under the circular, the securities and trading clearing storage, banking non-deposit storage, SPV storage, other financial institutions' storage and foreign financial institutions' storage absorbed by deposit-taking financial institutions are required to be contained as a part of the deposits absorbed by financial institutions but the applicable deposit reserve ratio for such newly defined deposits is temporarily determined as nil. The PBOC may further issue regulations in future to regulate the deposit reserve ratio for such newly defined deposits. Increases in the bank reserve requirement ratio or expansion of the calculation basis of the reserve requirement may require the Bank to increase its deposit reserves in response to future changes in the PBOC rules and regulations. This may negatively impact the amount of funds available for loans to businesses provided by the Group and therefore may adversely affect the Group's ability to earn interest. The State Council announced the Regulations on Deposit Insurance (存款保險條例) on 17 February 2015, effective on 1 May 2015. Under the new deposit insurance scheme, financial institutions are required to pay insurance premiums into a deposit insurance fund management institution. The deposit insurance is designed to return bank clients' insured deposits if the bank suffers insolvency or bankruptcy. Under the regulation, the maximum limit of the reimbursement of the deposit insurance set at RMB500,000 for one depositor in one insured financial institution. For the portion in excess of such maximum reimbursement limit, the insured financial institutions shall pay their clients with the liquidation property. The PBOC may, in conjunction with relevant departments of the State Council, adjust the maximum reimbursement limit according to certain factors stipulated under the regulation. The CBIRC monitors the changing status of the loan-to-deposit ratio of PRC commercial banks. Prior to 1 October 2015, PRC commercial banks were required to maintain a loan-to-deposit ratio no higher than 75 per cent. On 29 August 2015, the Standing Committee of the NPC promulgated the Decision of the Standing Committee of the National People's Congress on Amending the PRC Commercial Banking Law (《全國人民代表大會常務委員會關於修改<中華人民共和國商業銀行法>的決定》), pursuant to which, effective from 1 October 2015, the maximum loan-to-deposit ratio of 75 per cent. required under the PRC Commercial Banking Law was withdrawn.

The Group's business and operations are directly affected by changes of the PRC's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which it can engage in specific businesses, as well as changes in other governmental policies. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not materially and adversely affect the Group's business, financial condition and results of operations nor can there be any assurance that the Group will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Group's activities and could also have a significant impact on its business.

The PRC regulators have implemented measures relating to lending to small and medium-sized enterprises and the Group may be affected by future regulatory changes.

NAFR has promulgated a series of measures to encourage banking institutions to implement the PRC Government's macroeconomic policies, and, in particular, to proactively support continued healthy economic growth by increasing lending activities to small and medium-sized enterprises while effectively controlling risk. In June 2023, PBOC cut the five-year rate from 4.30 per cent. to 4.20 per cent and further cut the one-year loan prime rate from 3.55 per cent. to 3.45 per cent. in August 2023. However, small and medium-sized enterprises are more vulnerable to fluctuation in the macro-economy as compared to large enterprises due to relatively limited capital, management or other resources required to cope with the adverse impact of major economic or regulatory changes. In addition, small and medium-sized enterprises may not be able to provide reliable information necessary for the Bank to assess the credit risks involved. In the absence of accurate assessment of the relevant credit risks, the non-performing loans of the Bank may be significantly increased if its small and medium-sized enterprise clients are affected by economic or regulatory changes, which could materially and adversely affect the Group's business, results of operations and financial condition.

Separately, there can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular, those relating to lending to small and medium-sized enterprises (e.g. incentive policies to encourage lending to small and medium-sized enterprises), will not change in the future or that any such changes will not materially and adversely affect the Group's business, financial condition and results of operations.

The increasingly competitive nature of the PRC banking industry, as well as competition for funds which may arise from developing the PRC capital markets, could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The PRC banking industry is becoming increasingly competitive. The Group competes primarily with the large commercial banks and the other joint stock commercial banks in the PRC.

The large commercial banks in the PRC generally have much larger customer and deposit bases, more extensive distribution networks and more capital than that held by the Group. The large commercial banks in the PRC were historically wholly owned by the PRC government, and some of them have in the past received equity contributions or other support from the PRC government in connection with the disposal of non-performing loans. All of these banks have been restructured to become joint stock companies and some are currently listed on the HKSE and/or the Shanghai Stock Exchange. As a result, the large commercial banks in the PRC may enjoy significant competitive advantages over the Group.

The Group also competes with the other PRC joint stock commercial banks, which have smaller customer and deposit bases compared with the large commercial banks but are more comparable to the Group in their management style and business strategies. Some of these banks are owned or controlled by the PRC government and may have greater financial, managerial and technical resources than the Group does. Certain of these banks have also obtained investments from foreign investors and entered into commercial cooperation agreements with foreign investors. The Group competes with these banks in respect of the range, price and quality of product and service offerings and geographical coverage, amongst other factors.

The Group competes with its competitors for substantially the same loan, deposit and fee customers. Such competition may materially and adversely affect the Group's business by, for example:

- reducing its market share in its principal products and services;
- affecting the growth of its loan or deposit portfolios and other products and services;
- decreasing its interest income or increasing its interest expense, thereby decreasing its net interest margin;
- reducing its fee and commission income;
- increasing its non-interest expenses, such as marketing expenses; and
- increasing competition for senior management and qualified professional personnel.

If the Group does not successfully compete against other banks and financial institutions, its results of operations would be materially and adversely affected.

In addition to competition from other banks and financial institutions, the Group also faces competition from other forms of investment alternatives as the PRC capital markets continue to develop. For example, as the PRC stock and bond markets continue to develop, its deposit customers may elect to transfer their funds into stocks and bonds, which may reduce its deposit base and materially and adversely affect the Group's business, financial condition and results of operations.

The Bank is subject to macro-prudential regulations which involve substantial uncertainties and non-compliance could affect the Bank.

On 29 April 2016, PBOC issued the Circular on Implementing Overall Macro-prudential Management System for Cross-border Financing on a Nationwide Scale (中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知) (the "**2016 Macro-prudential Management Circular**") which came into effect on 3 May 2016. The 2016 Macro-prudential Management Circular established a mechanism aimed at regulating cross border financing activities conducted by PRC domestic institutions, including domestic enterprises and financial institutions other than governmental financing platforms and real estate enterprises, based on the capital or net assets of the borrowing entities and using a prudent management principle on a macro nationwide scale.

The 2016 Macro-prudential Management Circular was replaced by the Circular on Matters Concerning Macro-prudential Management on Overall Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**2017 Macro-prudential Management Circular**"), promulgated by PBOC on 12 January 2017, and the 2017 Macro-prudential Management Circular does not change the filing, reporting and other requirements on PRC domestic enterprises and financial institutions that engage in cross-border financing activities. The 2016 Macro-prudential Management Circular has since been replaced with the 2017 Macro-prudential Management Circular.

In connection with the update of the Programme or any issuance by the Issuer, the Group has not made and does not intend to make any filing with PBOC under the 2017 Macro-prudential Management Circular. The update of the Programme and an issuance by the Issuer, as an overseas branch, where the proceeds will not be remitted into the PRC do not involve any "cross-border financing activities" under the 2017 Macro-prudential Management Circular. Accordingly, the filing requirements under the 2017 Macro-prudential Management Circular do not apply.

The 2017 Macro-prudential Management Circular is a newly published regulation. Neither PBOC nor SAFE has promulgated implementation rules for the 2017 Macro-prudential Management Circular as at the date of this Offering Circular. The filing process of and legal consequences of non-compliance with the aforesaid regulations and the interpretation and enforcement of the 2017 Macro-prudential Management Circular thus involve substantial uncertainties due to its recent promulgation and publication. If following the date of this Offering Circular, the Group is required to make or take other steps to comply with the 2017 Macro-prudential Management Circular, the Issuer will take the necessary steps to comply with such requirements.

The rate of growth of the PRC banking market may not be sustainable.

In the last decades, the banking market in the PRC has expanded as a result of the continues growth of the PRC economy, increases in household wealth, continued social welfare improvement, demographic changes and the opening of the PRC banking market to foreign participants. As the Chinese economy entered a "new normal", the prospective impact on the PRC banking industry of certain trends and events, such as the pace of economic growth in the PRC and the ongoing reform of the social welfare system, is currently not clear. Consequently, there can be no assurance that the growth and development of the PRC banking market will be sustainable. The recent slowdown in China's economic growth rate has led to a rise in non-performing loans of the banking industry. In the event that the Group cannot adapt to such changes, its business, financial condition and results of operation could be materially and adversely affected.

The Bank's results of operations may be adversely affected if the PBOC further expedites the deregulation of interest rates.

The PBOC has adopted reform measures to gradually liberalise China's interest rate regime. In 2002, the PBOC substantially liberalised interest rates for foreign currency-denominated loans and deposits. In October 2004, the PBOC eliminated restrictions in respect of the maximum interest rate for RMB denominated loans and the minimum interest rate for RMB-denominated deposits.

On 19 July 2013, the PBOC published the Notice on Furthering Market-based Interest Rate Reform pursuant to which, other than the restriction that commercial banks in China cannot set interest rates for RMB-denominated residential mortgage loans below 70 per cent. of the relevant PBOC benchmark rate (which has been in effect since 27 October 2008), restrictions on the loan interest rates were fully liberalised. On 25 October 2013, the PBOC introduced a new prime lending rate, officially known as the "loan prime rate", which is based on a weighted average of lending rates from nine commercial banks.

Similarly, the PBOC has adopted measures to liberalise RMB-denominated deposits in commercial banks in China in recent years. As at 11 May 2015, the interest rate for RMB-denominated deposits cannot be set above 150 per cent. of the relevant PBOC benchmark rate. As at 24 October 2015, there is no longer a ceiling rate for the interest rate for RMB-denominated deposits.

In recent years, the PBOC has adjusted the benchmark interest rates several times. The PBOC may further liberalise the existing interest rate restrictions on RMB-denominated loans and deposits. If the existing regulations are substantially liberalised or eliminated, competition in China's banking industry will likely intensify as China's commercial banks seek to offer more attractive interest rates to customers. Further liberalisation by the PBOC may result in the narrowing of the spread in the average interest rates between RMB-denominated loans and RMB-denominated deposits, thereby adversely affecting the Bank's business, financial condition and results of operations, which in turn may negatively affect the Bank's ability to meet its obligations under the Notes.

The transition from business tax to value-added tax may adversely affect the Group's business, financial condition and results of operation.

The PRC government has been progressively implanting the pilot reform for the transition from business tax to value-added tax ("**VAT**") in certain regions and industries from 2012. Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax (關於全面推開營業稅改徵增值稅試點的通知) and the Implementing Measures for the Pilot Program for Transition from Business Tax to Value-Added Tax (營業稅改徵增值稅試點實施辦法) issued by the MOF and SAT on 23 March 2016, the pilot program started to apply to the financial industry from 1 May 2016. In order to implement the decisions and deployment made by the Central Committee of the Communist Party of China and the State Council, and to promote substantial cuts of VAT, MOF, SAT and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (關於深化增值稅改革有關政策的公告) on 20 March 2019.

Changes in the scope of taxation affect, to a certain extent, the tax burden of the Group. Further, the PRC government may further supplement and amend relevant policies and rules, and different interpretations may be applied in implementing such policies and rules. As a result, uncertainties remain as to the tax treatment of income and expenses of the Group under the new VAT regime. There is no assurance that the transition from business tax to VAT will not have an adverse impact on the Group's business, financial condition and results of operation.

Fluctuations in interest rates as well as the Group's limited ability to adjust the interest rates the Group charge on its assets or pay on its liabilities may adversely affect the Group's lending operations and its financial condition.

As with most commercial banks, results of the Group's operations depend to a great extent on its net interest income. For the six months ended 30 June 2023, the net interest income represented 73.47 per cent. of the Group's operating income, and for the year ended 31 December 2022, the net interest income represented 77.19 per cent. of the Group's operating income. Fluctuations in interest rates could affect the Group's financial condition and results of operations and profitability in different ways. For example, a decrease in interest rates may reduce the Group's interest income as well as yields from interest-earning investments. An increase in interest rates may decrease the value of the Group's investment debt securities portfolio and raise its funding costs. In addition, an increase in interest rates may reduce overall demand for loans, and, accordingly, reduce the Group's origination of new loans, as well as increase the risk of customer default. Interest rate fluctuations will also affect the market value of and return on derivative financial instruments. Volatility in interest rates may also result in a gap between the Group's interest rate sensitive assets and interest rate sensitive liabilities. As a result, the Group may be required to incur additional costs to adjust its interest rate sensitive assets and liabilities, and its net interest income may decrease.

In addition, increasing competition in the banking industry and further liberalisation of the interest rate regime may result in more volatility in market interest rates. If the interest rates the Group pays for its deposits increase to a greater extent than the interest rates the Group receives for its loans, the Group's net interest margin will narrow, leading to a reduction in the Group's net interest income. Increases in interest rates may also affect borrowers' financial condition and hence their ability to repay loans.

A SHIBOR-based market rate system has been developed in the PRC inter-bank short-term lending market. However, due to the relatively short history of the PRC inter-bank market, there may be significant volatility in market interest rates, such as the dramatic fluctuations in the inter-bank short- term rate which occurred in June and July 2013. The Group cannot assure you that SHIBOR interest rates will not experience irregular volatility or will return to a normal range in the short term after experiencing irregular volatility. Any significant volatility in interest rates in the inter-bank market may have a material and adverse effect on the Group's cost of borrowing short-term funds and its liquidity.

As a result, fluctuations in interest rates may adversely affect the Group's lending operations and its financial condition.

The effectiveness of the Group's credit risk management is affected by the quality and scope of information available in the PRC.

National credit information databases developed by the PBOC have been in operation since January 2006. However, as the information infrastructure in the PRC is still under development and there remains limitations on the availability of information, national credit information databases are generally under-developed and are not able to provide complete credit information on many of the Group's credit applicants. Until the PRC has more fully developed and implemented its nationwide unified credit information database on corporate borrowers, the Group has to rely on other publicly available resources and its internal resources to supplement what is currently available on the nationwide unified credit information database for enterprises. These sources of data and information are not sufficiently complete or effective for the robust credit risk management system that the Group attempts to build. Therefore, there can be no assurance that the Group's assessment of the credit risks associated with any particular customer is based on complete, accurate and reliable information. As a result, the Group's ability to effectively manage its credit risk may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL AND PRC ECONOMY

Uncertainties in the global economy and, in particular, the PRC economy and the financial market could materially and adversely affect the Group's financial condition and results of operations.

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 had a negative and lasting impact on the world economy, which in turn affected the PRC real estate industry and many other industries. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. Following a referendum vote on 23 June 2016 and a formal notice given by the UK to the European Union on 29 March 2017 under Article 50 of the Treaty on European Union, the United Kingdom left the European Union on 31 January 2020 at 11 p.m. local time ("**Brexit**"). With Brexit taking full effect after 31 December 2020, economic relations between the United Kingdom and the remaining members of the European Union will continue to evolve, and it is unclear how Brexit would ultimately affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and the rest of the world.

The outlook for the world economy and financial markets remains uncertain. The Russo-Ukrainian conflict and the conflict in Israel and Gaza have led to significant volatility in the global markets. The extent and duration of such conflicts, resulting sanctions and future market disruptions are impossible to predict, but could be significant and may have a material adverse effect on the region, including a significant negative impact on the economy and the markets for certain securities and commodities, such as oil and natural gas, as well as certain foods including grain, and on global economies. In Europe, several countries continue to face difficulties surrounding sovereign debt. In major economics around the world, the inflation level has been high as a consequence of liberal monetary policy. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. In early 2023, the global financial markets have experienced further turmoil with the collapse of mid-size United States banks Silicon Valley Bank, Signature Bank and First Republic Bank, as well as the collapse of global financial institution Credit Suisse, which has resulted in tightened credit standards, reduced capital investment and higher uncertainty in the global macroeconomic environment. China's economic growth becomes more moderate as compared to its previous growth rate due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminium imports from China, and later on 6 July 2018, the United States imposed 25 per cent. tariffs on US$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. Significant further tariffs have been imposed by both countries since then. In January 2020, China and the United States signed the first stage of trade deal, to which among other things, included a rollback by the United States of some existing tariffs. However, significant tariff remain and it is unclear how much economic relief from such trade-war it will offer.

Although the PRC recorded a GDP annual growth rate of 5.2 per cent. in 2023, there can be no assurance that a similar level of growth rate can be sustained. The slowing global economy growth and other factors have resulted in fluctuations in the global raw materials prices, such as coal, oil and copper, and the increasing volatilities in the international capital markets. Uncertainties in the global and the PRC economies may lead to contraction of liquidity, reduced credit availability, deterioration in asset values, increase in bankruptcies, rising unemployment rates, declining consumer and business confidence and other adverse consequences. These uncertainties may adversely affect the Group's financial condition and results of operations in many ways, including, among other things:

- During a period of economic slowdown, there is a greater likelihood that the Group's customers or counterparties could become delinquent in respect of their loan repayments or other obligations to the Group, which, in turn, could result in a higher level of non-performing loans ratio, allowance for impairment losses on loans and write-offs. For example, the downturn of the global economy has already caused a material adverse impact on small and micro enterprises in China and such an impact may continue. Although the Group devotes considerable resources to managing these risks, many of the factors affecting borrower and counterparty credit risks are exogenous to the Group. A substantial increase in non-performing loans may have a material adverse effect on the Group's business, financial condition and results of operations;

- The value of the Group's investment securities and other financial assets may significantly decline, which may adversely affect the Group's financial condition;

- The Group's ability to raise additional capital on favourable terms, or at all, may be adversely affected; and

- Trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect the Group's business prospects.

If the global and the PRC economies continue to grow slowly, or even experience a downturn, the Group's business, results of operations and financial condition could be materially and adversely affected.

A significant majority of the Group's businesses, assets and operations are located in the PRC. Accordingly, its financial conditions, results of operations and business prospects are, to a significant degree, subject to the economic, political, legal and social conditions and developments in the PRC.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC government has taken various actions to introduce market forces for economic reform, to reduce state ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC is still owned directly or indirectly by the PRC government. The PRC government also has significant influence over the growth of the PRC economy through measures such as allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. These measures are aimed at benefitting the overall economy of the PRC, but some of them may have negative effects on certain industries, including the commercial banking industry. For example, the Group's operating results may be adversely affected by government control over capital investments or changes in the interpretation of and application of applicable tax regulations. In addition, in recent years, the PBOC has instituted broad reform of the PRC's monetary policy. If the Group is unable to adjust its operations in accordance with these reforms, its financial condition and results of operations could be materially and adversely affected.

The PRC's GDP growth rate has been moderating in recent years, recording a real GDP growth of 6.0 per cent. in 2019, decreased to 2.3 per cent. in 2020 due to the outbreak of COVID-19, and then increased to 8.1 per cent. in 2021 because of the base effect of the previous year. In 2022 and 2023, the PRC's GDP growth rate recorded a real growth of 3.0 per cent. and 5.2 per cent., respectively.

The global economy may continue to deteriorate in the future, which could have an adverse impact on the PRC economy. Any significant slowdown in the China's economy could have a material adverse effect on the PRC banking industry as well as the Bank's business and operations. In response to recent slowdown of PRC's economy, the PRC government has and may continue to implement a series of macroeconomic measures. Some of the measures may have a material effect on the Group's business, financial condition, results of operations and asset quality. In recent years, the PRC government has implemented measures and actions with an aim to increase investors' confidence in the PRC economy. However, there is no assurance that the PRC economy would recover as expected. The Group is unable to predict all the risks and uncertainties that it may face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond the Group's control. All such factors may adversely affect the Group's business, operations and financial performance.

Interpretation and implementation of the PRC laws and regulations may involve uncertainties.

The Bank is incorporated and exists under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC has promulgated laws and regulations dealing with legal relations in respect of such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, especially with respect to the PRC banking regulatory regime, the interpretation and enforcement of these laws and regulations may involve uncertainties. In addition, PRC laws and regulations are constantly adapting to international industry standards and customs, such as the implementation of Basel standards. In addition, there is only a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value. These uncertainties relating to the interpretation and implementation of the PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and the holders of the Notes.

The Group is subject to the PRC government controls on currency conversion and future movements in foreign currency exchange rates.

The Group receives a significant majority of its revenues in Renminbi, and it may experience difficulties in converting its Renminbi revenues into other currencies, though a portion of these revenues must be converted into other currencies to meet its foreign currency obligations.

The value of Renminbi against the US dollar and other currencies fluctuates and is affected by many factors, including changes in political and economic conditions in the PRC and globally. Starting from 1994, the conversion of Renminbi into foreign currencies, including the Hong Kong dollar and the US dollar, was based on rates set daily by the PBOC based on the previous business day's interbank foreign exchange market rates and the current exchange rates on the world financial markets. For more than ten years, the official exchange rate for conversion of Renminbi to US dollars was generally stable. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of Renminbi appreciated by approximately two per cent. against the US dollar. In July 2008, the PRC government announced that its exchange rate regime would change into a managed floating mechanism based on market supply and demand. Given domestic and overseas economic developments, the PBOC decided to further adjust the Renminbi exchange rate regime in April 2012 and March 2014 to enhance the flexibility of the Renminbi exchange rate. The PRC government may make further adjustments to the exchange rate system in the future. Any appreciation of Renminbi against the US dollar or any other foreign currency may result in a decrease in the value of the Group's foreign currency-denominated assets. Conversely, any devaluation of Renminbi may adversely affect the value of the Group's assets in Renminbi terms.

In addition, the Group is required to obtain approval from SAFE before converting foreign currencies into Renminbi for non-current account transactions, such as the repayment of loan principal and investment in equities. All these factors could materially and adversely affect the Group's business, financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

There can be no assurance of the accuracy or comparability of facts, forecasts and statistics contained in this Offering Circular with respect to the Group, the PRC, its economy or its banking industry.

Certain facts, forecasts and statistics in this Offering Circular relating to the PRC, the PRC economy, the PRC and global banking industries and the Group's market share and ranking are derived from various official and other publicly available sources which are generally believed to be reliable. However, the Group cannot guarantee the quality and reliability of such source materials. In addition, these facts, forecasts and statistics have not been independently verified by the Group, or any of its directors, employees, representatives, affiliates or advisers and, therefore, none of them makes any representation as to the accuracy or fairness of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up to date. The Group has taken reasonable care in reproducing or extracting the information from such sources. However, because of possibly flawed or ineffective methodologies underlying the published information or discrepancies between the published information and market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or be comparable to facts, forecasts or statistics produced for other economies and should not be unduly relied upon.

Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases (such as COVID-19) in the PRC, may have a material and adverse effect on the Group's business operations, financial condition and results of operations.

Any force majeure events, such as the occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, swine flu caused by H1N1 virus, or H1N1 Flu, or COVID-19 may materially and adversely affect the Group's business, financial condition and results of operations. Possible force majeure events may give rise to additional costs to be borne by the Group and have adverse effects on the quality of its assets, business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Group's business. Moreover, the PRC has experienced natural disasters like earthquakes, floods and drought in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Group's business. There can be no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 Flu, COVID-19 or other epidemics, or the measures taken by the PRC Government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 Flu, COVID-19 or other epidemics, will not seriously interrupt the Group's operations or those of its customers, which may have a material and adverse effect on its business, financial condition and results of operations.

RISK RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

The Terms and Conditions of the Notes also provide that the Fiscal Agent may, without the consent of Noteholders, agree to (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the amended and restated agency agreement dated 4 March 2024 (the "Agency Agreement") which is not prejudicial to the interests of the Noteholders; or (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature, is made to correct a manifest error or is, in the opinion of the relevant parties, not materially prejudicial to the interests of the Noteholders as described in Condition 11(b).

A change in English law which governs the Notes may adversely affect Noteholders.

The Terms and Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Additional procedures may be required to be taken to hear English law governed matters in the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law matters.

The Terms and Conditions of the Notes and the Programme documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**") which was signed on 14 July 2006, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC.

The new Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**") was signed on 18 January 2019. The 2019 Arrangement takes effect on 29 January 2024, and applies to judgments made by the courts of Hong Kong and the PRC. Upon commencement of the 2019 Arrangement, the 2006 Arrangement is terminated, except for "choice of court" agreements in writing made between parties before 29 January 2024, in which case the 2006 Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Issuer or the Issuer's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Notes will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the noteholders' ability to initiate a claim outside of Hong Kong will be limited.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, or lodged with a sub-custodian for the CMU (each of Euroclear, Clearstream, and the CMU, a "Clearing System"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, or, as the case may be, to the relevant paying agent, in the case of the CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates. Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (i) equal to, or integral multiples of, the minimum denomination, and (ii) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. Definitive Notes will only be issued if (a) the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce(s) an intention to permanently cease business; or (b) principal in respect of any Notes is not paid when due. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

Gains on the transfer of the Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementation rules, as amended from time to time, any gain realised on the transfer of the Notes by non-PRC resident enterprises or individual holders may be subject to PRC enterprise income tax ("EIT") or PRC individual income tax ("IIT") if such gain is regarded as income derived from sources within the PRC. While the PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise Noteholders from the transfer of the Notes, its implementation rules have reduced the enterprise income tax rate to 10 per cent. In accordance with the PRC Individual Income Tax Law and its implementation rules (as amended from time to time), any gain realised by a non-PRC resident individual Noteholder from the transfer of the Notes may be regarded as being sourced from the PRC and thus be subject to IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident individual Noteholder from the transfer of the Notes. However, there remains uncertainty as to whether the gain realised from the transfer of the Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and their respective implementation rules. If such gains are determined as income sourced in the PRC by the relevant PRC tax authorities, (i) the non-PRC resident enterprise Noteholders may be subject to EIT at the rate of 10 per cent. of the gains derived by such non-PRC resident enterprise Noteholders and (ii) the non-PRC resident individual Noteholders may be subject to IIT at the rate of 20 per cent. of the gains derived by such non-PRC resident individual Noteholders, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC resident enterprise or individual resident holders of the Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in the Notes may be materially and adversely affected.

The interpretation of the NDRC Administrative Measures may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes. Any failure to complete the relevant filings and/registration under the NDRC Administrative Measures within the prescribed time frames may have adverse consequences for the relevant Issuer and/or the investors of the Notes.

The NDRC issued the NDRC Administrative Measures on 5 January 2023, which came into effect on 10 February 2023. According to the NDRC Administrative Measures, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities with a term not less than one year issued outside the PRC with the NDRC prior to the issue of the securities, and notify the particulars of the relevant issues within the timeframe prescribed by the NDRC after the completion of the relevant issue.

Under the NDRC Administrative Measures, the Bank shall, (i) report or cause to be reported to the NDRC the requisite information and documents within 10 PRC business days after each foreign debt issuance in accordance with the NDRC Administrative Measures, (ii) report or cause to be reported to the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) report or cause to be reported the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations.

Failure to comply with the NDRC post-issue and continuing reporting obligations (such as post-issue reporting, pre-issuance approval expiration reporting, periodical reporting and major event reporting, etc.) under articles 24 and 26 of the NDRC Administrative Measures may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the "Credit China" website and the national enterprise credit information publicity system, among others.

The Issuer undertakes to report or cause to be reported to the NDRC within the relevant prescribed timeframes after the relevant Issue Date the requisite information and documents in respect of the relevant Notes in accordance with the NDRC Administrative Measures and any implementation rules or policies as issued by the NDRC from time to time.

However, the NDRC Administrative Measures is new and its implementation may involve significant uncertainty. The administration and enforcement of the NDRC Administrative Measures may be subject to executive and policy discretion of the NDRC. While the NDRC Administrative Measures has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Administrative Measures, the NDRC Administrative Measures is silent on whether any such non-compliance would affect the validity and enforceability of the Notes. There is no assurance that the failure to comply with the NDRC Administrative Measures would not result in adverse consequences on the relevant Issuer's or the Bank's ability to perform in accordance with the Terms and Conditions of the Notes or the enforceability of the Notes.

The Financial Institutions (Resolution) Ordinance may adversely affect the Notes.

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "FIRO") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which includes the Issuer as the issuer of the Notes. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, subject to certain safeguards, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Notes may become subject to and bound by the FIRO. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Issuer is unable to assess the full impact of FIRO on the financial system generally, the Issuer's counterparties, the Issuer, any of the Bank's consolidated subsidiaries, its operations and/or its financial position.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong, the PRC, the jurisdiction where the Issuer is located or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and dual currency Notes.

Notes may be issued with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, Notes may be issued with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment.

Notes may be issued where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse floating rate Notes are typically more volatile than conventional floating rate debt.

Inverse floating rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the euro interbank offered rate ("EURIBOR"). The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.

Fixed or floating rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed or floating rate Notes may be less favourable than the then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index Linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The regulation and reform of "benchmarks" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be or used as "benchmarks" (including EURIBOR), are the subject of national, international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "EU Benchmarks Regulation") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by European Union supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (the "UK Benchmarks Regulation") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the United Kingdom Financial Conduct Authority ("FCA") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an inter-bank offered rate (such as EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate), and/or any page on which such benchmark may be published (or any successor service) becomes unavailable, or if any Paying Agent, Calculation Agent, the Issuer or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Conditions), with or without the application of an Adjustment Spread (as defined in the Conditions). Adjustment Spread is (i) the spread or a formula or methodology for calculating a spread which is formally recommended in relation to the replacement of the Reference Rate (as defined in the Conditions) with the Successor Rate by any Relevant Nominating Body (as defined in the Conditions); (ii) if no such recommendation has been made or in the case of an Alternative Reference Rate, the spread, formula or methodology which the Independent Adviser (as defined in the Conditions) (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or (iii) if the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the spread, formula or methodology which the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders. There is no guarantee that any Adjustment Spread will be determined or applied. If no Adjustment Spread is determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest.

The use of any such Successor Rate or Alternative Reference Rate or, if applied, Adjustment Spread to determine the Rate of Interest may result in Notes linked to or referencing the initial inter-bank offered rate or other relevant reference rate performing differently (including paying a lower Rate of Interest) than they would do if the initial inter-bank offered rate or other relevant reference rate (as applicable) were to continue to apply in its current form.

Under these fallback arrangements, the Issuer will use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined in the Conditions) to determine the Successor Rate or Alternative Reference Rate (as applicable), no later than five Business Days (as defined in the Conditions) prior to the relevant Interest Determination Date (the "IA Determination Cut-off Date"), but in the event that the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or such Independent Adviser fails to determine the Successor Rate or Alternative Reference Rate (as applicable) prior to the relevant IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) will have discretion to, amongst other things, determine the relevant Successor Rate or Alternative Reference Rate (as applicable). There can be no assurance that such Successor Rate or Alternative Reference Rate (as applicable) determined by the Issuer will be set at a level which is on terms commercially acceptable to all Noteholders.

In certain circumstances, the ultimate fallback for the purposes of calculation of Rate of Interest for a particular Interest Accrual Period may result in the Rate of Interest for the last preceding Interest Accrual Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, any determinations that may need to be made by the Issuer with the involvement of an Independent Adviser entails a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation, the UK Benchmarks Regulation or any other international or national reforms, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The use of Secured Overnight Financing Rate ("SOFR") as a reference rate is subject to important limitations.

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 5(b)(iii)(C) of the Conditions).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "ARRC") announced SOFR as its recommended alternative to U.S. dollar London interbank offered rate ("LIBOR"). However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, and the Issuer has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Notes. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR do not prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

RISKS RELATING TO THE MARKET GENERALLY

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Series, such Series is to be consolidated with and form a single series with a Series of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are traded at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although application will be made to the HKSE for the Programme to be admitted to listing on the HKSE, there is no assurance that such application will be accepted, that any particular Series of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Series of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "Specified Currency"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in Renminbi ("RMB Notes") may be issued under the Programme. RMB Notes contain particular risks for potential investors, including:

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into or out of the PRC which may adversely affect the liquidity of RMB Notes.

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction over the years by the PRC Government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Currently, participating banks in Singapore, Hong Kong, Taiwan, London, Frankfurt, Seoul, Toronto, Sydney, Doha, Paris, Luxembourg, Kuala Lumpur and Bangkok have been permitted to engage in the settlement of Renminbi trade transactions. However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

On 7 April 2011, SAFE promulgated the "Circular on Regulating the Capital Account Items Operations in connection with Cross-Border Renminbi" (關於規範跨境人民幣資本項目業務操作有關問題的通知) (the "SAFE Circular"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant MOFCOM to the relevant local branch of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, SAFE Circular clarifies that foreign debts borrowed, and foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 13 October 2011, the PBOC promulgated the "Administrative Measures on Renminbi Settlement of Foreign Direct Investment" (外商直接投資人民幣結算業務管理辦法) (the "PBOC RMB FDI Measures") (as amended in 2015) as part of the implementation of the PBOC's detailed foreign direct investment ("FDI") accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures, which provides more detailed rules relating to cross-border Renminbi direct investments and settlement. On 9 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "2013 PBOC Circular"), which sought to improve the efficiency of the cross-border Renminbi settlement process. For example, where automatic fund remittance occurs, the bank can debit the amount into the relevant account first and subsequently verify the relevant transaction. The PBOC further issued the Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors (關於境外投資者投資境內金融機構人民幣結算有關事項的通知) on 23 September 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in the PRC.

On 3 December 2013, the MOFCOM promulgated the "Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment" (商務部關於跨境人民幣直接投資有關問題的公告) (the "MOFCOM Circular"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular clearly prohibits FDI funds from being used directly or indirectly for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

The reforms which are being introduced and will be introduced in the Shanghai Free Trade Zone (the "Shanghai FTZ") aim to upgrade cross-border trade, liberalise foreign exchange control, improve convenient cross-border use of Renminbi and promote the internationalisation of Renminbi. However, given the infancy stage of the Shanghai FTZ, how the reforms will be implemented and whether (and if so when) the reforms will be rolled out throughout the PRC remain uncertain.

To support the development of the Shanghai FTZ, the Shanghai Head Office of the PBOC issued the Circular on Supporting the Expanded Cross-border Utilisation of Renminbi in the Shanghai FTZ (中國人民銀行上海總部關於支持中國(上海)自由貿易試驗區擴大人民幣跨境使用的通知) (the "PBOC Shanghai FTZ Circular") on 20 February 2014, which allows banks in Shanghai to settle FDI based on a foreign investor's instruction. In respect of FDI in industries that are not on the "negative list" of the Shanghai FTZ, the MOFCOM approval previously required is replaced by a filing. However, the application of the Shanghai FTZ Circular is limited to the Shanghai FTZ.

On 31 December 2020, Notice on Further Optimizing the Cross-border RMB Policy to Support the Stabilization of Foreign Trade and Foreign Investment (關於進一步優化跨境人民幣政策支持穩外貿穩外資的通知) was promulgated to enhance the role of cross-border RMB business in serving the real economy and facilitating trade and investment.

On 28 February 2015, SAFE promulgated the "Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies" (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "2015 SAFE Circular"), which became effective on 1 June 2015. The 2015 SAFE Circular aims to deepen the reform of foreign exchange administration of capital accounts, promote and facilitate the capital operation of enterprises in making cross-border investments, regulate the direct investment-related foreign exchange administration business, and improve the administration efficiency. The 2015 SAFE Circular sets forth the following reformation: (i) cancel the administrative examination and approval procedures relating to the foreign exchange registration approval under domestic direct investment and the foreign exchange registration approval under overseas direct investment; (ii) cancel the confirmation and registration of foreign investors' non-monetary contributions and the confirmation and registration of foreign investors' contributions to purchasing the equity held by the Chinese party under domestic direct investment; (iii) adjust the confirmation and registration of foreign investors' monetary contributions to book-entry registration of domestic direct investment monetary contributions.

There is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB Notes.

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Currently, licensed banks in Singapore and Hong Kong may offer limited Renminbi-denominated banking services to Singapore residents, Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement mechanism for participating banks in various countries, through settlement agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (each an "RMB Clearing Bank") and these RMB Clearing Banks have been permitted to engage in the settlement of Renminbi trade transactions.

However, the current size of Renminbi-denominated financial assets outside the PRC is limited. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement agreements will not be terminated or amended in the future, which would have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the RMB Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the RMB Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in RMB Notes is subject to exchange rate risks.

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. All payments of interest and principal with respect to RMB Notes will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of investment in U.S. dollar or other applicable foreign currency terms will decline.

An investment in RMB Notes is subject to interest rate risks.

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of RMB Notes will only be made to investors in the manner specified in the terms and conditions of the relevant Notes.

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of the RMB Notes will be made solely (i) for so long as the RMB Notes are represented by Global Notes held with the common depositary, as the case may be, for Euroclear and Clearstream or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and/or Clearstream rules and procedures, or (ii) for so long as the RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than as described in the Conditions, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to Notes are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are part of a Series (as defined below) of Notes issued by China Minsheng Banking Corp., Ltd., Hong Kong Branch (the "**Issuer**") and are issued pursuant to an amended and restated agency agreement (the "**Agency Agreement**") dated 4 March 2024 between the Issuer, Deutsche Bank AG, Hong Kong Branch as fiscal agent and the other agents named in it and with the benefit of an amended and restated Deed of Covenant (the "**Deed of Covenant**") dated 26 April 2017 executed by the Issuer in relation to the Notes. The fiscal agent, the CMU lodging and paying agent, the other paying agents, the registrars, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". For the purposes of these terms and conditions (the "**Conditions**"), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

The Notes are issued in series ("**Series**") and each Series may comprise one or more Tranches. As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1 FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note (together with an Index Linked Interest Note, an "**Index Linked Note**"), an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) Partial Redemption in Respect of Registered Notes

In the case of a partial redemption of a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within seven business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) Transfer Free of Charge

Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be redeemed by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been redeemed, or (iv) during the period of 15 days ending on (and including) any due date for any payment of principal or interest.

3 STATUS

The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated obligations of China Minsheng Banking Corp., Ltd. (the "**Bank**"), present and future.

4 COVENANT

Where the Administrative Measures for the Examination and Registration of Medium-and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the "**NDRC Administrative Measures**"), which was issued by the NDRC on 5 January 2023 and became effective on 10 February 2023, and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time, apply to the issue of Notes of each Series, the Issuer undertakes to report or cause to be reported with the National Development and Reform Commission (the "**NDRC**") the requisite information and documents in connection with such series of Notes within the prescribed time frame after the relevant Issue Date in accordance with the NDRC Administrative Measures, as amended, supplemented or replaced from time to time.

5 INTEREST AND OTHER CALCULATIONS

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) Interest on Floating Rate Notes and Index Linked Interest Notes:

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) Rate of Interest for Floating Rate Notes

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin, if any.

For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

If "2021 ISDA Definitions" is specified hereon as the applicable ISDA Definitions:

(1) Administrator/Benchmark Event shall be disapplied;

(2) if the Temporary Non-Publication Fallback for any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback – Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to "Calculation Agent Alternative Rate Determination" in the definition of "Temporary Non-Publication Fallback – Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate"; and

(3) "Fallback Observation Day" in the ISDA Definitions shall be deemed deleted in its entirety and replaced with the following:

"Fallback Observation Day" means, in respect of a Reset Date and the Calculation Period (or any Compounding Period included in that Calculation Period) to which that Reset Date relates, unless otherwise agreed, the day that is five Business Days preceding the related Payment Date.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes (*other than Floating Rate Notes which specify the Reference Rate as SOFR*)

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (Hong Kong time) (in the case of CNH HIBOR) or 9.30 a.m. (Beijing time) (in the case of SHIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations,

provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions in this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR, HIBOR, CNH HIBOR or SHIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(C) Screen Rate Determination for Floating Rate Notes (*where the Reference Rate is specified as being SOFR Benchmark)*

Where Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Floating Rate Notes for each Interest Accrual Period will, subject as provided below, be equal to the sum of the relevant SOFR Benchmark plus or minus (as specified in the relevant Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded SOFR Average or SOFR Compounded Index (as specified in the relevant Pricing Supplement), as follows (subject in each case to Condition 5(b)(v)):

(x) If Simple SOFR Average ("**Simple SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each U.S. Government Securities Business Day during such Interest Accrual Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the relevant Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the U.S. Government Securities Business Days in the relevant Interest Accrual Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of that Interest Accrual Period.

(y) If Compounded SOFR Average ("**Compounded SOFR Average**") is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified in the relevant Pricing Supplement to determine Compounded SOFR Average) or SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the relevant Pricing Supplement to determine Compounded SOFR Average).

Compounded SOFR Average shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the relevant Pricing Supplement:

i. SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{\mathrm{SOFR}_{i-\times USBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"**$\mathrm{SOFR}_{\mathrm{i\text{-}xUSBD}}$**" for any U.S. Government Securities Business Day (i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day (i);

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day (i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day (i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day (i) up to (but excluding) the following U.S. Government Securities Business Day.

ii. SOFR Observation Shift:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{\mathrm{SOFR}_i \times n_i}{360}\right)-1\right] \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day (i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day (i);

"**SOFR Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"$\mathbf{d_o}$" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day (i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day (i) in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day (i) up to (but excluding) the following U.S. Government Securities Business Day.

iii. SOFR Payment Delay:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{\mathrm{SOFR}_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day (i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day (i);

"**Interest Payment Date**" shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or the relevant date for redemption, as applicable;

"**Interest Payment Delay Days**" means the number of Business Days as specified in the relevant Pricing Supplement;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day (i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day (i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day (i) up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Accrual Period where SOFR Payment Delay is specified in the relevant Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

iv. SOFR Lockout:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{\text{SOFR}_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"**$\mathbf{SOFR_i}$**" for any U.S. Government Securities Business Day (i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day (i), except that the SOFR for any U.S. Government Securities Business Day (i) in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**$\mathbf{d_o}$**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_o, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day (i)**"); and

"**$\mathbf{n_i}$**" for any U.S. Government Securities Business Day (i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day (i) up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C)(x) and 5(b)(iii)(C)(y):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

i. the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

ii. if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

iii. if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(v) shall apply;

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following the relevant U.S. Government Securities Business Day.

(z) If SOFR Compounded Index ("**SOFR Compounded Index**") is specified as applicable in the relevant Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{\text{SOFR Index}_{End}}{\text{SOFR Index}_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or.0987655)) and where:

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means:

(a) the SOFR Index value as published on the SOFR Administrator's Website on or about 3:00 p.m. (New York time) on such U.S. Government Securities Business Day (the "**SOFR Index Determination Time**"); provided that in the event that the value originally published by the SOFR Administrator on or about 3:00 p.m. (New York time) on any U.S. Government Securities Business Day is subsequently corrected and such corrected value is published by the SOFR Administrator on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SOFR Index value as of the SOFR Index Determination Time in relation to such U.S. Government Securities Business Day; and

(b) if a SOFR Index value does not so appear as specified in (a) above of this definition, then:

   (i) if a Benchmark Event (as defined in Condition 5(b)(v)(D)) and its related Benchmark Replacement Date (as defined in Condition 5(b)(v)(D)) has not occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to the "SOFR Index Unavailable" provisions in Condition 5(b)(iii)(D); or

   (ii) if a Benchmark Event and its related Benchmark Replacement Date has occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to Condition 5(b)(v).

"**SOFR Index**$_{\textbf{Start}}$" means, in respect of an Interest Accrual Period, the SOFR Index value on the date which is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement preceding the first date of such Interest Accrual Period;

"**SOFR Index**$_{\textbf{End}}$" means, in respect of an Interest Accrual Period, the SOFR Index value on the date which is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement preceding the Interest Period Date relating to such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"$\mathbf{d_c}$" means the number of calendar days in the relevant SOFR Observation Period.

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date which is the number of SOFR Observation Shift Days preceding the first date of such Interest Accrual Period (and in respect of the first Interest Accrual Period, the number of SOFR Observation Shift Days preceding the Issue Date) to, but excluding, the date which is the number of SOFR Observation Shift Days preceding the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate.

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source;

"**SOFR Benchmark Replacement Date**" means the Benchmark Replacement Date with respect to the then-current SOFR Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark;

"**SOFR Rate Cut-Off Date**" has the meaning given in the relevant Pricing Supplement; and

"**U.S. Government Securities Business Day**" or "**USBD**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(D) SOFR Index Unavailable

If a SOFR Index value is not published on the relevant Interest Determination Date and a Benchmark Event (as defined in Condition 5(b)(v)(D)) and its related Benchmark Replacement Date (as defined in Condition 5(b)(v)(D)) has not occurred with respect to SOFR, then the SOFR Index shall be calculated in accordance with the Compounded SOFR formula and the related definitions as set out below in this Condition 5(b)(iii)(D):

"**Compounded SOFR**" means, for the applicable Interest Accrual Period for which the SOFR Index is not available, the rate of return on a daily compounded interest investment during the relevant Observation Period (with the daily SOFR reference rate as the reference rate for the calculation of interest) and calculated by the Calculation Agent in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)):

$$\left(\prod_{i=1}\left(1+\frac{\mathrm{SOFR}_i \times n_i}{360}\right)-1\right)\times\left(\frac{360}{d_c}\right)$$

where:

"$\mathbf{d_c}$" means the number of calendar days in the relevant Observation Period.

"$\mathbf{d_o}$" means the number of U.S. Government Securities Business Days in the relevant Observation Period.

"**i**" means a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Days in chronological order from (and including) the number of U.S. Government Securities Business Day as specified in the relevant Pricing Supplement in the relevant Observation Period (each a "**U.S. Government Securities Business Day (i)**").

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day (i) in the relevant Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day (i) up to (but excluding) the following U.S. Government Securities Business Day (i).

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day (i) in the relevant Observation Period, is equal to SOFR in respect of that U.S. Government Securities Business Day (i).

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "**SOFRRATE**" or any successor page or service.

"**Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling a number of U.S. Government Securities Business Days equal to the Observation Shift Days preceding the first date in such Interest Accrual Period to (but excluding) the date falling a number of U.S. Government Securities Business Days equal to the number of Observation Shift Days preceding the Interest Period Date for such Interest Accrual Period.

"**Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified in the Relevant Pricing Supplement.

"**Reuters Page USDSOFR=**" means the Reuters page designated "**USDSOFR=**" or any successor page or service.

"**SOFR**" means, with respect to any U.S. Government Securities Business Day:

(a) the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Bloomberg Screen SOFRRATE Page, the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Reuters Page USDSOFR=, or the Secured Overnight Financing Rate that appears at the SOFR Determination Time on the SOFR Administrator's Website; or

(b) if the rate specified in (a) above does not appear, the SOFR published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website.

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate.

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source.

"**SOFR Determination Time**" means on or about 3:00 p.m. (New York City time) on the SOFR Administrator's Website on the immediately following U.S. Government Securities Business Day.

"**U.S. Government Securities Business Day**" means any day other than a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) Benchmark Replacement for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)

In addition, notwithstanding the provisions in Condition 5(b), if the Issuer determines that a Benchmark Event (as defined below) has occurred in relation to the relevant Reference Rate specified in the relevant Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(A) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser (as defined below) to determine (acting in a reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Accrual Period (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(B) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Accrual Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iv)); provided, however, that if sub-paragraph (B) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Accrual Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin, Maximum Rate of Interest or Minimum Rate of Interest that applied to such preceding Interest Accrual Period for the Margin, Maximum Rate of Interest or Minimum Rate of Interest that is to be applied to the relevant Interest Accrual Period); for the avoidance of doubt, the proviso in this sub-paragraph (C) shall apply to the relevant Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iv);

(D) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines that an Adjustment Spread (as defined below) is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (acting in a reasonable manner) (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(b)(iv). Noteholder's or Couponholder's consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required); and

(E) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Fiscal Agent, Noteholders and Couponholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

provided that the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with applicable law.

(v) Benchmark Replacement (SOFR)

The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable in the relevant Pricing Supplement:

(A) Benchmark Replacement

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(B) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(v). Noteholders' or Couponholder's consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(b)(v), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(D) The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C) and 5(b)(v):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the relevant Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the sum of:

(a) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(b) the Benchmark Replacement Adjustment;

(ii) the sum of:

(a) the ISDA Fallback Rate; and

(b) the Benchmark Replacement Adjustment; or

(iii) the sum of:

(a) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(b) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(i) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(ii) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(iii) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(i) in the case of sub-paragraph (i) or (ii) of the definition of "Benchmark Event", the later of:

(a) the date of the public statement or publication of information referenced therein; and

(b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(ii) in the case of sub-paragraph (iii) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means (i) if "2006 ISDA Definitions" is specified in the applicable Pricing Supplement, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if "2021 ISDA Definitions" is specified in the applicable Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Notes;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified in the relevant Pricing Supplement) or SOFR Index Determination Time (where SOFR Compounded Index is specified in the relevant Pricing Supplement); or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(vi) *Rate of Interest for Index Linked Interest Notes*

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.

(ii) If any Maximum Rate of Interest, Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes unit means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) Calculations

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts

The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any

Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) ***Definitions***

In these Conditions (other than in Condition 5(b)(iii)(C) and 5(b)(v)), unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Adjustment Spread**" means (a) a spread (which may be positive or negative or zero) or (b) a formula or methodology for calculating a spread, in each case required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines that no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in a reasonable manner) to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (iii) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders and Couponholders;

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in a reasonable manner) is most comparable to the relevant Reference Rate;

"**Benchmark Event**" means, in respect of a Reference Rate:

(i) such Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;

(ii) a public statement by the administrator of such Reference Rate that it has ceased or will cease publishing such Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of such Reference Rate);

(iii) a public statement by the supervisor of the administrator of such Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of such Reference Rate that means such Reference Rate will be prohibited from being used either generally or in respect of the Notes or that its use will be subject to restrictions or adverse consequences;

(v) a public statement by the supervisor of the administrator of such Reference Rate that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market or the methodology to calculate such Reference Rate has materially changed; or

(vi) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder or Couponholder using such Reference Rate,

provided that in the case of sub-paragraphs (ii), (iii) and (iv) of this definition, the Benchmark Event shall occur on the date of the cessation of publication of such Reference Rate, the discontinuation of such Reference Rate, or the prohibition of use of such Reference Rate, as the case may be, and not the date of the relevant public statement;

"**Business Day**" means:

(i) in the case of Notes denominated in a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Notes denominated in euro, any day on which T2 is open for the settlement of payments in euro (a "**TARGET Business Day**"); and/or

(iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of Notes where one or more Business Centres is specified, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in currency in which the Notes are denominated in the Business Centre(s); and/or

(v) in the case of "Business Day in Beijing", "Business Day in Hong Kong" and "Business Day in London", a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in Beijing (in the case of Business day in Beijing), Hong Kong (in the case of Business Day in Hong Kong), London (in the case of Business day in London), as the case may be.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual – ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "Actual/365 (Sterling)" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366

(iv) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360

(v) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

(vi) if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y_2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M_1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M_2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D_1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

“D_2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

(vii) if “30E/360 (ISDA)” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y_1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y^2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M_1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M_2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D_1” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

“D_2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(viii) if “Actual/Actual-ICMA” is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense;

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or SHIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (v) the day falling two Business Days in Beijing prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is SHIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Benchmarks Supplement**" means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified hereon)) published by the International Swaps and Derivatives Association, Inc.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon and, if specified as such hereon, as supplemented by the ISDA Benchmarks Supplement.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Nominating Body**" means, in respect of a reference rate:

(i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(k) Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 REDEMPTION, PURCHASE AND OPTIONS

(a) Redemption by Instalments and Final Redemption:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) Early Redemption:

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or, at any time, (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulation of any of the Relevant Jurisdictions (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by an authorised officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) ***Redemption at the Option of the Issuer***

If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 60 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) ***Redemption at the Option of Noteholders***

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) ***Partly Paid Notes***

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6(f) and the provisions specified hereon.

(g) ***Purchases***

The Issuer, the Bank and its Subsidiaries (as defined in Condition 10) may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) ***Cancellation***

All Notes purchased by or on behalf of the Issuer, the Bank or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 PAYMENTS AND TALONS

(a) ***Bearer Notes***

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be:

(i) in the case of Notes denominated in a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Notes denominated in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

(iii) In this Condition 7 only, a "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

(b) ***Registered Notes:***

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Notes denominated in Renminbi) and fifteenth (in the case of Notes denominated in a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of Notes denominated in a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(B) in the case of Notes denominated in Renminbi, by transfer to the registered account of the Noteholder.

(C) In this Condition 7(b)(ii), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) Payments in the United States

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) Payments subject to Fiscal Laws

All payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) Appointment of Agents

The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrars, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or any Calculation Agent and to appoint additional or other Registrar, Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) ***Unmatured Coupons and Receipts and unexchanged Talons:***

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) ***Talons***

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) Non-Business Days

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (if applicable), in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

*For the purposes of any payments made in respect of the Global Note, the words "in the relevant place of presentation (if applicable)" shall not apply in the definition of "**business day**" in this Condition 7(h) (Non-Business Days).*

8 TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any of the Relevant Jurisdictions, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC at a rate up to and including the aggregate rate applicable on the date on which agreement is reached to issue the first Tranche of Notes (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by the Noteholders and the Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding in respect of PRC tax in excess of the Applicable Rate, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") so that the net amount received by the Noteholders and the Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) held by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of its having some connection with the Relevant Jurisdiction other than the mere holding of the Note, Receipt or Coupon; or

(b) held by or on behalf of a holder who would have been able to avoid such withholding or deduction by duly presenting the Note, Receipt or Coupon (where presentation is required) to another Paying Agent; or

(c) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such Additional Tax Amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days; or

(d) held by or on behalf of a holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

As used in these Conditions:

(a) "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation; and

(b) "**Relevant Jurisdiction**" means Hong Kong, the PRC (as defined in Condition 10) or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

References in these Conditions to (i) **"principal"** shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8.

9 PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

(a) **Non-Payment**: the Issuer fails to pay the principal of or any premium (if any) or interest on any of the Notes when due and, in the case of principal, such failure continues for a period of 7 days, or, in the case of premium (if any) or interest, such failure continues for a period of 15 days; or

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations in the Notes, the Deed of Covenant or the Agency Agreement which default continues for a period of 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Acceleration**: (A) any other present or future Public External Indebtedness of the Bank or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described) in respect of the terms thereof, or (B) any principal of such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds U.S.$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against U.S. dollars as quoted by any trading bank on the day of which this Condition 10(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Bank or any of its Material Subsidiaries and is not discharged or stayed within 30 days; or

(e) **Insolvency**: the Bank or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of the debts of the Bank or any of its Material Subsidiaries; or

(f) **Winding-up**: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Bank or any of its Material Subsidiaries, or the Bank ceases to carry on all or a substantial part of its business or operations, except for (i) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders and by the shareholders of the Bank and/or the relevant Material Subsidiaries or (ii) a solvent winding up of any Material Subsidiary or (iii) in the case of a Material Subsidiary, whereby the undertaking and assets of a Material Subsidiary are transferred to or otherwise vested in the Bank and/or any other Subsidiaries; or

(g) **Illegality**: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Deed of Covenant.

In these Conditions:

"**Material Subsidiary**" means a Subsidiary of the Bank whose total assets, total revenue or net profit as of the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which such audited financial statements relate, account for 5 per cent. or more of the consolidated total assets, consolidated total revenue or consolidated net profit of the Bank as of such date or for such period. If a Material Subsidiary transfers all of its assets and business to another Subsidiary of the Bank, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer;

"**Public External Indebtedness**" means any indebtedness of the Bank or any of its Subsidiaries, or any guarantee or indemnity by such entity of indebtedness, for money borrowed which, (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and which is issued outside the People's Republic of China (for the purposes hereof not including the Hong Kong and Macau Special Administrative Regions or Taiwan) ("**PRC**") (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (ii) has an original maturity of more than 365 days; and

"**Subsidiary**" means, in relation to the Bank, any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Bank.

11 MEETING OF NOTEHOLDERS AND MODIFICATIONS

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders (and for passing resolutions by Electronic Consent (as defined in the Agency Agreement)) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, or (vi) to vary the currency or currencies of payment or denomination of the Notes, in which case the necessary quorum shall be two or more persons holding or representing not less than three-quarters or at any adjourned meeting not less than one quarter of the nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the Noteholders of not less than 90 per cent. in nominal amount of the Notes outstanding or passed by Electronic Consent (as defined in the Agency Agreement) shall, in any such case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) Modification of Agency Agreement

The parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

12 REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (except for the first payment of interest and, if applicable, the timing for notification to the NDRC, for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

14 NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong. So long as the Notes are listed on The Stock Exchange of Hong Kong Limited and the rules of that Exchange so require, notices to holders of the Notes shall also be published in a daily newspaper with general circulation in Hong Kong (which is expected to be the South China Morning Post in Hong Kong). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

15 CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 15, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17 GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons and any non-contractual obligations arising out of or in connection with them ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Waiver of immunity

To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES OR THE GLOBAL CERTIFICATE

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "Common Depositary") or a sub-custodian for the HKMA as operator of the CMU.

Upon the initial deposit of a Global Note with the Common Depositary or with a sub-custodian for the HKMA as operator of the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the HKMA and delivery of the relevant Global Certificate to the Common Depositary or the sub-custodian for the HKMA as operator of the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled (in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme – Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes or, in the case of (i) below, Registered Notes:

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream or the CMU or any other clearing system (an "Alternative Clearing System") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

If the relevant Pricing Supplement states that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream or the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2 may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;

(ii) if principal in respect of any Notes is not paid when due; or

(iii) with the prior consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"Exchange Date" means (i) in relation to an exchange of a temporary Global Note to a permanent Global Note, the day falling after the expiry of 40 days after its issue date; or (ii) in relation to an exchange of a permanent Global Note to a Definitive Note, a day falling not less than 60 days, or in the case of exchange following failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the cities in which the relevant clearing systems are located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes.

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System.

Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "Clearing System Business Day" means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

Cancellation

Cancellation of any Note represented by a permanent Global Note or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or Global Certificate.

Purchase

Notes represented by a permanent Global Note or Global Certificate may only be purchased by the Issuer or any of its respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

The Option of the Issuer

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain, in the case of Bearer Notes, the certificate numbers of Notes drawn or, in the case of Registered Notes, the Noteholder in respect of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or Global Certificate may be exercised by the holder of the permanent Global Note (in accordance with the standard procedures of the relevant clearing system) giving notice to the Fiscal Agent or (in respect of Notes represented by a Global Certificate) the Registrar or Transfer Agent or (in respect of Notes lodged with the CMU) the CMU Lodging and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note or Global Certificate to the Fiscal Agent, the Registrar, a Transfer Agent or the CMU Lodging and Paying Agent (or, in each case, to a Paying Agent acting on their behalf), as the case may be, for notation.

Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate; or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes or Global Certificates. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note or Global Certificate representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MIFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**")]. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA[●]/[; or] [(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]][2]

[[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKSE**")) ("**Professional Investors**") only.]

[**Notice to Hong Kong investors**: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on HKSE on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.]

[**HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer or the Group or quality of disclosure in this document.** Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.]

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

2 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

Pricing Supplement dated [●]

China Minsheng Banking Corp., Ltd., Hong Kong Branch[3]

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the U.S.$5,000,000,000 Medium Term Note Programme (the "**Programme**")

This document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the offering circular dated 4 March 2024 (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular.

1	Issuer:	China Minsheng Banking Corp., Ltd., Hong Kong Branch
2	[(i)] Series Number:	[●]
	[(ii) Tranche Number:	[●]
	(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*).]	
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	
	[(i)] Series:	[●]
	[(ii) Tranche:	[●]]
5	[(i)] Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
	[(ii) Net proceeds:	[●] (Required only for listed issues)]
6	(i) Specified Denominations:	[●](1)
	(ii) Calculation Amount(4):	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue date/Not Applicable]

3 A branch of China Minsheng Banking Corp., Ltd., a joint stock limited company incorporated in the People's Republic of China.

8	Maturity Date:	[specify date (for Fixed Rate Notes) or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year][(2)]
9	Interest Basis:	[[●] per cent. Fixed Rate] [*specify reference rate*] +/– [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11	Change of Interest or Redemption/Payment Basis:	[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12	Put/Call Options:	[Put] [Call] [(further particulars specified below)]
13	Status of the Notes:	Senior Notes
14	Listing:	[●]/Other (*specify*)/None]
15	Method of distribution:	[Syndicated/Non-syndicated]
16	Private Bank Rebate/Commission:	[Applicable/Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
	(i) Rate [(s)] of Interest:	[●] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year(3) [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount(4)
	(iv) Broken Amount:	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]
	(v) Day Count Fraction (Condition 5(j)):	[30/360/Actual/Actual (ICMA/ISDA)/Other] (Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in US dollars or Hong Kong dollars, unless the client requests otherwise)
	(vi) Determination Date(s) (Condition 5(j)):	[●] in each year. [Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon](5)
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
18	Floating Rate Note Provisions:	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Interest Period(s):	[●]
	(ii) Specified Interest Payment Dates:	[●]
	(iii) Interest Period Date(s):	[Not Applicable/specify dates] (Not applicable unless different from Interest Payment Date)
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]

(v)	Business Centre(s) (Condition 5(j)):	[●]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/Screen Rate Determination (SOFR)/ISDA Determination/other (*give details*)]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s):	[Deutsche Bank AG, Hong Kong Branch/(if other give details)]
(viii)	Screen Rate Determination (Condition 5(b)(iii)(B)):	
	– Reference Rate:	[●]
	– Interest Determination Date:	[[●] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
	– Relevant Screen Page:	[●]
(ix)	Screen Rate Determination (SOFR) (Condition 5(b)(iii)(C)):	
	– Reference Rate:	SOFR Benchmark – [Simple SOFR Average/Compounded SOFR Average/SOFR Compounded Index]
	– Compounded SOFR Average Method:	[Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout – *used for Compounded SOFR Average only*]
	– SOFR Index $_{Start}$:	[Not Applicable]/[[●] U.S. Government Securities Business Days – *used for SOFR Compounded Index only*]
	– SOFR Index $_{End}$:	[Not Applicable]/[[●] U.S. Government Securities Business Days – *used for SOFR Compounded Index only*]

–	Interest Determination Date(s):	[[The [●] U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period – only applicable in the case of Simple SOFR Average]/SOFR Observation Lag/SOFR Observation Shift/SOFR Lockout/SOFR Compounded Index] [The Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date – *only applicable in the case of SOFR Payment Delay*]
–	Lookback Days:	[[●] U.S. Government Securities Business Days – *used for SOFR Lag only*]/[Not Applicable]
–	SOFR Observation Shift Days:	[[●] U.S. Government Securities Business Days – used for the SOFR Observation Shift or SOFR Compounded Index only]/[Not Applicable]
–	SOFR Rate Cut-Off Date:	[The date falling [●] Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the date fixed for redemption, as applicable – *used for only Simple SOFR Average (if applicable), Compounded SOFR Average – SOFR Payment Delay or SOFR Lockout only*]/[Not Applicable]
–	Interest Payment Delay Days:	[●] Business Days – used for SOFR Payment Delay only]/[Not Applicable]
–	SOFR Index Unavailable:	[Not Applicable/Compounded SOFR formula]
–	Observation Shift Days:	[[●] U.S. Government Securities Business Days – used for SOFR Index Unavailable only]/[Not Applicable]

(x) ISDA Determination (Condition 5(b)(iii)(A)):

–	Floating Rate Option:	[●]
–	Designated Maturity:	[●]
–	Reset Date:	[●]
–	ISDA Definitions: (if different from those set out in the Conditions)	[2006/2021]

	(xi)	Margin(s):	[+/–] [●] per cent. per annum
	(xii)	Minimum Rate of Interest:	[●] per cent. per annum
	(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiv)	Day Count Fraction (Condition 5(j)):	[●]
	(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Event/Benchmark Event (SOFR)/specify if fallback provisions different from those set out in the Conditions]
19	Zero Coupon Note Provisions:		[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
	(ii)	Day Count Fraction (Condition 5(j)):	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
20	Index Linked Interest Note Provisions:		[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Index/Formula:	[Give or annex details]
	(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
	(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
	(iv)	Interest Period(s):	[●]
	(v)	Specified Interest Payment Dates:	[●]

	(vi)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vii)	Business Centre(s) (Condition 5(j)):	[●]
	(viii)	Minimum Rate of Interest:	[●] per cent. per annum
	(ix)	Maximum Rate of Interest:	[●] per cent. per annum
	(x)	Day Count Fraction (Condition 5(j)):	[●]
21	Dual Currency Note Provisions:		[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Rate of Exchange/Method of calculating Rate of Exchange:	[*Give details*]
	(ii)	Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]
	(v)	Day Count Fraction (Condition 5(j)):	[●]

PROVISIONS RELATING TO REDEMPTION

22	Call Option		[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	

		(a) Minimum Redemption Amount:	[●]
		(b) Maximum Redemption Amount:	[●]
	(iv)	Notice period:	[●]
23	Put Option:		[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●]
24	Final Redemption Amount of each Note:		[●] per Calculation Amount
25	Early Redemption Amount:		
	(i)	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or Event of Default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26	Form of Notes:	[Bearer Notes/Registered Notes] *[Delete as appropriate]* [temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [permanent Global Note/Certificate exchangeable for Definitive Notes/Certificates on [●] days' notice/at any time/in the limited circumstances specified in the permanent Global Note/Certificate][(6)]

27	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	[Not Applicable/Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 17(ii), 18(iii) and 20(v) relate]
28	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, *give details*]
29	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
30	Details relating to Instalment Notes:	[Not Applicable/*give details*]
	(i) Instalment Amount(s):	[●]
	(ii) Instalment Date(s):	[●]
	(iii) Minimum Instalment Amount:	[●]
	(iv) Maximum Instalment Amount:	[●]
31	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
32	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
33	Other terms or special conditions:	[Not Applicable/*give details*](7)

DISTRIBUTION

34	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager (if any):	[Not Applicable/*give name*]
35	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
36	U.S. Selling Restrictions:	[Reg. S Category 1/2; TEFRA D/TEFRA C/TEFRA Not Applicable]
37	Additional selling restrictions:	[Not Applicable/*give details*]

38	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable](8)
39	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable](8)

OPERATIONAL INFORMATION

40	ISIN Code:	[●]
41	Common Code/[CMU Instrument Number]:	[●]
42	Legal Entity Identifier of the Issuer:	635400BPCTF8TCGUXG82
43	Legal Entity Identifier of the Bank:	549300HBUGSQD1VCXG94
44	[CMU Member Code of the Issuer:	MSBC]
45	Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s):	[Not Applicable/give name(s) and number(s)]
46	Delivery:	Delivery [against/free of] payment
47	Additional Paying Agents (if any):	[●]

GENERAL

48	The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [●], producing a sum of (for Notes not denominated in US dollars):	[Not Applicable/US$[●]]
49	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong(9):	[Not Applicable/*give details*]
50	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	[Not Applicable/Hong Kong]
51	(i) Date of corporate approval (s) for the issuance of the Notes:	[●]
	(ii) Date of any regulatory approval for the issuance of Notes:	NDRC Registration Certificate dated [●]/NDRC Confirmation dated [●]/Not Applicable(10)

52	[Ratings:	The Notes to be issued have been rated: [S&P: [●]/Others: [●]]]

HONG KONG SFC CODE OF CONDUCT

53	Rebates:	[A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]
54	Contact email addresses of the [Overall Coordinators] where underlying investor information in relation to omnibus orders should be sent:	[Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide]/[Not Applicable]
55	[Marketing and Investor Targeting Strategy:	*[set out if different from the programme OC]]*

[**LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US$5,000,000,000 Medium Term Note Programme of China Minsheng Banking Corp., Ltd., Hong Kong Branch.]

[**STABILISATION**

In connection with the issue of the Notes, any of the Dealers named as Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no obligation on the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager) to do this. Such stabilisation if commenced may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.]

[**MATERIAL ADVERSE CHANGE STATEMENT**

[Except as disclosed in this document, there/There][(11)] has been no material adverse change in the financial position or prospects of the Issuer since [●].]

[**USE OF PROCEEDS**

[●]]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

(A branch of China Minsheng Banking Corp., Ltd., a joint stock limited company incorporated in the People's Republic of China)

By: ____________________________
Duly authorised

Notes:

(1) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000".

(2) Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

(3) Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

(4) For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.05 in the case of Renminbi denominated Fixed Rate Notes or to the nearest HK$0.01, HK$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

(5) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.

(6) If the temporary Global Note is exchangeable for definitives at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

(7) If full terms and conditions are to be used, please add the following here:

"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary."

The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

(8) If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.

(9) In respect of Registered Notes which are not exempted under the Stamp Duty Ordinance (Cap. 177 of Hong Kong), an alternative Registrar shall be appointed for the relevant Series to maintain the Register outside of Hong Kong.

(10) Where the Notice applies to a Series of Notes, insert either the date of the specific NDRC Registration Certificate date or the NDRC Confirmation which is being relied upon.

(11) If any change is disclosed in the Pricing Supplement, it may require approval by the stock exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's capitalisation and indebtedness as at 30 June 2023. Please read this table in conjunction with the Group's consolidated financial information and the accompanying notes included elsewhere in this Offering Circular.

	As at 30 June 2023
	Actual
	(RMB million)
Marketable Debt[(1)]	
Debt securities issued	628,199
Total Marketable Debt[(2)]	**628,199**
Equity	
Share capital	43,782
Other equity instruments	94,962
Capital reserve	58,149
Surplus reserve	55,276
General reserve	90,673
Investment revaluation reserve	1,309
Exchange reserve	604
Cash flow hedging reserve	40
Retained earnings	268,624
Total equity attributable to holders of equity shares of the Bank	**613,419**
Non-controlling interests	13,272
Total Equity	626,691
Total Capitalisation[(3)]	**1,254,890**

(1) Marketable debt securities means debt securities that have an established secondary market in or outside Hong Kong in which they can be monetised readily.

(2) Total marketable debt equals debt securities issued.

(3) Total capitalisation equals the sum of total marketable debt and total equity.

There has been no material adverse change in the capitalisation of the Group since 30 June 2023.

USE OF PROCEEDS

The Bank intends to use the net proceeds from the sale of the Notes for the Bank's working capital and general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

DESCRIPTION OF THE HONG KONG BRANCH

The Bank set up its branch in Hong Kong in March 2012. The Bank possesses a banking licence and is an authorised institution under the laws and regulations of Hong Kong. China Minsheng Banking Corp., Ltd., Hong Kong Branch ("**Hong Kong Branch**") is positioned to be the offshore investment and financing platform for the Group, with a strategic goal to become the Group's offshore platform to provide comprehensive global financial market services to the Group's overseas customers. Hong Kong Branch has successfully become an overseas business platform for the Bank in the last 12 years, which enhanced the financial support available to Chinese enterprises for their overseas expansion as part of the implementation of the PRC government's "Going global" strategy and "One Belt and One Road Initiative" as well as the globalisation of Renminbi.

As at 30 June 2023, the Hong Kong Branch had total assets of HKD205,923 million, representing an increase of 6.15 per cent. as compared with that as at 31 December 2022. Among them, total loans and advances to customers amounted to HKD107,280 million, representing an increase of HKD1,809 million as compared with that as at 31 December 2022; total deposits from customers amounted to HKD130,631 million, representing an increase of HKD7,204 million as compared with that as at 31 December 2022. For the six months ended 30 June 2023, net income amounted to HKD1,366 million, representing an increase of 4.12 per cent. as compared with that for the six months ended 30 June 2022. Under the shock of US interest rate rise on net interest margin, the growth in net income of the Hong Kong Branch can be mainly attributed to the significant increase in net non-interest income from foreign exchange trading, interest rate risk hedging and other businesses. In addition, the Hong Kong Branch implemented strategic adjustments to credit customer structure and improved the quality of its customer base, and for the six months ended 30 June 2023, high-quality corporate clients with high ratings accounted for 64.03 per cent. of new credit assets disbursement. The Hong Kong Branch attached importance to the in-depth development of strategic customer groups, and provided over 200 corporate strategic clients of the Bank with comprehensive financial services. As at 30 June 2023, total credit assets of corporate strategic clients amounted to HKD50 billion, representing an increase of 10.55 per cent. as compared with that as at 31 December 2022. In addition, the Hong Kong Branch valued cross-border wealth management of mid- to high-end retail customers. As at 30 June 2023, the assets under management ("**AUM**") of the private banking and wealth management customer groups exceeded HKD29.1 billion.

The Hong Kong Branch has three key business segments, including corporate banking, financial markets, and wealth management and private banking. Under the corporate banking segment, the Hong Kong Branch provides cross-border settlement and financing, overseas investment, mergers and acquisitions and consulting, capital preservation and value-added services. Under the financial markets segment, it provides inter-bank financial services, treasury services, and debt capital markets and financial institutions services. Under the wealth management and private banking segment, it provides overseas wealth platform, a full range of investment services, and wealth management and private banking services.

In recent years, the Hong Kong Branch received the following awards:

- "Most Active Settlement Member – USD Over-the-Counter Derivatives" ("最活躍結算會員–美元場外衍生品"卓越大獎) issued by the HKSE;

- "Best Private Banking – International Services and Investment" Gold Award ("最佳私人銀行–國際服務與投資"金獎) issued by the Asian Private Banker;

- "Pioneer Institution of Climate Disclosure Plan (氣候披露規劃先鋒機構)" by Hong Kong Quality Assurance Agency;

- “Outstanding Green and Sustainable Bond Leading Bank (Banking Industry) – Green Bond Framework with Excellent Vision (傑出綠色和可持續債券牽頭經辦行(銀行業) – 卓越遠見綠色債券框架) “by Hong Kong Quality Assurance Agency;

- “Enterprise Contribution Award amid the 25th Anniversary of Hong Kong’s Return to China (香港回歸25周年企業貢獻) in 2022” by Metro Broadcast Corporation Limited;

- “Excellent Customer Service Bank Award in 2022” by Hong Kong Economic Journal (《信報》);

- “Business-innovated Agency in 2021” by DealingMatrix International;

- “Best Corporate Bond” Through Contemporary Amperex Technology Company US$500 million Senior Unsecured Bond by The Asset Triple A Country Awards 2021;

- “Most Innovative Deal” Through Bank of China (Hong Kong) US$500 million SOFR FRNs and Bank of China (London) £300 million Sonia FRNs by The Asset Triple A Country Awards 2021;

- “Excellent Customer Service Bank Award in 2021” by Hong Kong Economic Journal (《信報》);

- “Best FIG Bond in 2019” (through ICBC’s US$2.2 billion equivalent senior unsecured green BRBR bond) by the Triple A Asset Asian Awards;

- “Best FIG Bond in 2019” (through China Orient Asset Management’s US$700 million dual-tranche senior bond) by the Triple A Asset Asian Awards;

- “Asia Pacific Syndicated Loan Awards in 2018” by Asia Pacific Loan Market Association; and

- “Best Trade Finance Bank Hong Kong 2017” by Global Banking & Finance Review.

Business Activities

The Hong Kong Branch is a licensed bank in Hong Kong, with its principal place of business at Flat/Rm 3701-3702, 12-16, 37/F & 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, and currently focuses on the provision of financing solutions to the Group’s overseas customers. The Hong Kong Branch focuses on three major business segments, which are corporate banking, private banking and wealth management business and financial markets.

In addition, the Bank is an institution registered with the Securities and Futures Commission of Hong Kong and may through the Hong Kong Branch conduct the following regulated activities: type 1 dealing in securities and type 4 advising on securities.

Hong Kong Regulatory Guidelines

The banking industry in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to HKMA. The Banking Ordinance provides that only banks, which have been granted a banking licence (“**licence**”) by HKMA, may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks (“**licensed banks**”).

The provisions of the Banking Ordinance are implemented by HKMA, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. HKMA supervises licensed banks through, amongst others, a regular information gathering process, the main features of which are as follows:

- each licensed bank must submit a monthly return to HKMA setting out the assets and liabilities of its principal place of business in Hong Kong and all local branches and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches and HKMA has the right to allow returns to be made at less frequent intervals;

- HKMA may order a licensed bank, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the 84 licensed bank concerned. Such information shall be submitted within such period and in such manner as HKMA may require. HKMA may also require a report by the licensed bank's auditors (approved by HKMA for the purpose of preparing the report) confirming whether or not such information or return is correctly compiled in all material respects;

- licensed banks may be required to provide information to HKMA regarding companies in which they have an aggregate of 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller (as defined in the Banking Ordinance), with common features in their names or a concert party arrangement to promote the licensed bank's business;

- licensed banks are obliged to report to HKMA immediately of their likelihood of becoming unable to meet their obligations;

- HKMA may direct a licensed bank to appoint an auditor to report to HKMA on the state of affairs and/or profit and loss of the licensed bank or the adequacy of the systems of control of the licensed bank or other matters as HKMA may reasonably require; and

- HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any licensed bank, and in the case of a licensed bank incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such licensed bank. Such inspections are carried out by HKMA on a regular basis.

DESCRIPTION OF THE BANK

Overview

The Bank is the first national joint stock commercial bank in the PRC primarily founded by non-state-owned enterprises and the only non-state-owned PRC joint stock commercial bank. Since its establishment in 1996, the Bank has grown significantly and, as at 30 June 2023, the Bank ranked fifth amongst the listed PRC joint stock commercial banks in terms of total assets, according to public disclosure of PRC joint stock commercial banks. As at 30 June 2023, the Bank remained one of the national systematically important banks in China.

As at 30 June 2023, the Group's total assets, total loans and advances to customers, and total deposits from customers (excluding accrued interest) amounted to RMB7,641.5 billion, RMB4,390.9 billion and RMB4,241.5 billion, respectively. For the six months ended 30 June 2023, the Group had a net profit of RMB24.0 billion. The Group delivered steady returns for the six months ended 30 June 2023, achieving annualised return on average assets and annualised return on weighted average equity of 0.64 per cent. and 7.88 per cent., respectively. As at 30 June 2023, the Group's NPL ratio was 1.57 per cent.

The Bank has received a number of honours and awards for its business performance, management capability and corporate governance. For example, some of the honours and awards received in the past two years include:

- The "Best Private Banking – International Services and Investment" Gold Award ("最佳私人銀行–國際服務與投資"金獎) for the Issuer by the Asian Private Banker in 2023;

- The award of "Most Active Settlement Member – USD Over the-Counter Derivatives" ("最活躍結算會員–美元場外衍生品"卓越大獎) for the Issuer by the HKSE in 2023;

- The "Navigator Award" (Innovative Enterprise Award) of China's auto industry and financial industry for Minsheng Financial Leasing by the Global Leasing Competitiveness Forum in 2023;

- The "Excellent Innovative Wealth Management Company (卓越創新理財公司)", "Excellent Wealth Management Company in Return on Investment (卓越投資回報理財公司)" and "Outstanding Equity-Based Bank Wealth Management Product (優秀權益類銀行理財產品)" for CMBC Wealth Management by PY Standard in 2023;

- The "Typical Cases in Briefing on Targeted Assistance for Rural Revitalisation (《鄉村振興定點幫扶簡報》典型案例)" by the PBOC in 2022;

- The "Wealth Management Bank Golden Bull Awards (理財銀行金牛獎)" and "Bank Wealth Management Product Golden Bull Award (銀行理財產品金牛獎)" in the "3rd Wealth Management Golden Bull Awards of the Banking Industry in China (第三屆中國銀行業理財金牛獎)" by China Securities Journal in 2022;

- The "2022 Award for Open Bank Technological Cooperation Contribution (2022年開放銀行技術合作貢獻獎)" by China UnionPay in 2022;

- The "2022 ESG 50 (2022中國ESG 50榜單)" by Forbes China in 2022;

- The "2022 Evergreen Award – The Most Digitally Innovative Bank (2022年長青獎•年度最具數字創新力銀行)" by CAIJING in 2022;

- The "Outstanding Financial Institution of the Year (年度優秀金融機構)" in the "20th China's Financial Annual Champion Awards (第二十屆中國財經風雲榜)" by Hexun.com in 2022;

- The "Best Bank for Serving Micro and Small Enterprises (最佳服務小微企業銀行)" by China Business Times in 2022;

- The "Gold Award of Banking Industry (銀行業金獎)", "Top 100 Global Annual Reports (全球最佳年報100強)" and "Technical Achievement Award (技術成就獎)" in the "2021 International ARC Awards (2021年國際年報大賽)" by League of American Communications Professionals LLC (LACP) in 2022;

- The "Advanced Unit in Green Bank Evaluation (綠色銀行評價先進單位)" by China Banking Association in 2022;

- The "2022 Best Open Bank of Digital Finance (2022年數字金融最佳開放銀行獎)" by China Financial Certification Authority (CFCA) and cebnet.com.cn in 2022;

- The "Excellent Case in "Jinxintong" Fintech Innovation& Application Awards ("金信通"金融科技創新應用卓越案例獎)" by China Academy of Information and Communications Technology in 2022;

- The "Bank of Excellent Competitiveness in Small Business Financial Services (卓越競爭力小微金融服務銀行)" in the "Selected Cases of Excellent Financial Institutions of 2022 (2022卓越金融機構案例精選)" by China Business Journal in 2022;

- The "Listed Company with Best Investor Relations (最佳投資者關係管理上市公司)" in the "China Securities Golden Bauhinia Awards (中國證券金紫荊獎)" in 2022;

- The "Top Ten Banks for Fintech Innovation (十佳金融科技創新獎)" at the "2022 China Financial Innovation Forum (2022中國金融創新論壇)" by The Chinese Banker in 2022;

- The "Top Ten NSOEs (民企十強)" in the "Social Responsibility Development Index of Chinese Enterprises 2022 (2022中國企業社會責任發展指數)" by Chinese Academy of Social Sciences in 2022; and

- The "2022 Best Employer in China (2022中國年度最佳僱主)" by Zhaopin.com in 2022.

The Bank is headquartered in Beijing and has established an extensive business network, which included 42 tier-one branches and 105 tier-two branches (including remote sub-branches), 1,238 business outlets of sub-branches (including the business departments), 1,079 community subbranches and 137 small business sub-branches as at 30 June 2023. Through its network, the Bank provides a broad range of corporate and personal banking products and services. The Bank also conducts treasury operations for its own account and on behalf of its customers.

For the year ended 31 December 2022, the Group's total operating income was RMB139.2 billion, as compared with RMB165.6 billion for the year ended 31 December 2021, representing a decrease of 15.91 per cent. For the year ended 31 December 2022, operating income from the Group's corporate business, retail business and other business amounted to RMB68.0 billion, RMB65.0 billion and RMB6.3 billion, respectively, representing 48.82 per cent., 46.65 per cent. and 4.53 per cent., respectively, of the Group's total operating income for the same year.

For the six months ended 30 June 2023, the Group's total operating income was RMB69.9 billion, as compared with RMB72.7 billion for the six months ended 30 June 2022, representing a decrease of 3.94 per cent. For the six months ended 30 June 2023, operating income from the Group's corporate business, retail business and other business amounted to RMB34.6 billion, RMB31.6 billion and RMB3.7 billion, respectively, representing 49.48 per cent., 45.23 per cent. and 5.29 per cent., respectively, of the Group's total operating income for the same period.

The Bank completed the domestic initial public offering and listing on the Shanghai Stock Exchange of its A shares on 19 December 2000, and the initial public offering and listing on the HKSE of its H shares on 26 November 2009.

The Bank's Strengths

The Bank's principal strengths include:

The first NSOE joint stock commercial bank in the PRC banking system.

One of the fastest growing national joint stock commercial banks

- The Bank is the first national joint stock commercial bank primarily founded by NSOEs in 1996, as approved by the State Council and PBOC. The Bank was jointly established and founded by 59 sponsors, with registered capital of RMB1.38 billion. Since its establishment, the Bank has experienced rapid and successful growth to become one of the leading joint stock commercial banks in the PRC. The Bank was the first commercial bank in the PRC to complete reform of the share trading business in October 2005. The Bank was also the first bank in China to begin bank-wide reforms of business divisions. As at 30 June 2023, the Group's total assets, total loans and advances to customers, and total deposits from customers (excluding accrued interest) amounted to RMB7,641.5 billion, RMB4,390.9 billion and RMB4,241.5 billion, respectively. For the year ended 31 December 2022, the Group recorded net profit attributable to equity shareholders of the Bank of RMB35,300 million, representing an increase of 2.58 per cent. as compared to that for the year ended 31 December 2021, whereas for the six months ended 30 June 2023, the Group recorded net profit attributable to equity shareholders of the Bank of RMB23,777 million, representing a decrease of 3.49 per cent. as compared to that for the six months ended 30 June 2022.

Core player in the PRC banking system

- As at 30 June 2023, the Bank ranked fifth amongst listed PRC joint stock commercial banks in terms of total assets, according to public disclosure of PRC joint stock commercial banks. As at 30 June 2023, the sales network of the Bank covered 138 cities in the Chinese mainland, including 146 branch-level institutions (including 41 tier-one branches (excluding the Hong Kong Branch), 105 tier-two branches (including the remote sub-branches)), 1,238 business outlets of sub-branches (including business departments), 1,079 community sub-branches and 137 small business sub-branches. The Bank's business scale and unique positioning gives the Bank a significant strategic importance in the banking system. In 2023, the Bank was recognised as a systemically important bank in China by the PBOC and NAFR for the third consecutive year.

Leveraging the flexibility as a non-state-owned bank coping with the ever-changing circumstances

- Facing the changes both in internal and external environment, the Bank regards talents as the source power of organisation development and culture as the core driving force of long-lasting development, while keeping the market-oriented system and mechanism unchanged. Upholding the concept of "satisfaction of customers comes from satisfaction of employees", the Bank reshapes the underlying logic of human resources to comprehensively enhance the bank culture.

- In addition, for the purpose of winning the trust and respect of customers, and with the direction of establishing close relationship with stakeholders, the Bank optimises basic products offering and basic services, innovatively carries out the practices of social responsibility, and improves sincere services and considerate services, striving to make the "time-honoured Minsheng Bank" a respected financial brand.

- Furthermore, by thoroughly implementing national strategies, the Bank enhanced its capabilities in serving the manufacturing industry and green finance, speeded up its deployment in such sectors as new energy, and dedicated, refined, distinctive and innovative fields, vigorously developed inclusive finance, supported rural revitalisation, and strengthened services for ensuring smooth supply, services for new citizens, elderly-friendly services and others, in a bid to build new development drivers.

Broad customer coverage and comprehensive product offering with particular strength on private enterprises and small and micro enterprises.

Strength on serving private enterprises and small and micro enterprises

- As the largest non-state-owned joint stock commercial bank in the PRC, the Bank believes that it has industry-leading innovation and business transformation capabilities. The Bank has become the key financial service provider for private enterprises, and its retail business such as micro-finance, community finance and private banking businesses have grown rapidly. The Bank has been recognised as one of the leading micro-lending providers in the PRC. Focusing on the strategic positioning of "a bank for NSOEs", the Bank gave full play to its advantages in serving the NSOEs and micro and small enterprises, and provided financial support for the development of the real economy. In the recent years, the Bank made continuous innovations in products and services, and built a new service ecosystem featuring openness, cooperation and win-win situation based on customer needs. The Bank actively promoted digital transformation and online inclusive finance, upgraded and launched the Minsheng Small Business App 2.0 in 2022, and optimised online financial services. Based on the reform and enhancement of small and micro business and assets structure, the Bank has actively promoted cross-selling and product innovation to enhance the synergies across the Group and has increased the contribution of small and micro business customers to diversify its operation. As at 30 June 2023, the balance of small business loans of the Bank amounted to RMB760,594 million, representing an increase of RMB77,153 million, or 11.29 per cent., as compared with that as at 31 December 2022. The number of small business customers with balance of loans was 721.3 thousand, representing an increase of 72.6 thousand, or 11.19 per cent., as compared with that as at 31 December 2022.

Broad customer coverage

- The Bank serves the full spectrum of the client, covering from retail customers, micro, small, medium enterprises to large emprises, and the Bank also takes advantage of the synergy among different client groups to further expand its client base. In recent years, the Bank implemented the philosophy of "being customer-centric and creating values for customers", formed joint service forces of "One Minsheng (一個民生)", pushed forward the integrated and coordinated development of micro, small, medium, large enterprises and retail customers, and improved service brand. As a result, the Bank witnessed relatively fast business and income growth of strategic customer groups, which fully pushed the growth of scale and efficiency of supply chain-based, ecosystem-based and retail customers.

- As to the corporate customers, as at 30 June 2023, the balance of deposits of strategic clients amounted to RMB1,209,059 million, representing an increase of RMB105,080 million, or 9.52%, as compared with the end of 2022, and the balance of loans to strategic clients amounted to RMB1,174,968 million, representing an increase of RMB93,786 million, or 8.67%, as compared with the end of 2022. As at 30 June 2023, the Bank had 276.5 thousand corporate clients with an annual daily average balance of deposits of more than RMB100 thousand, representing an increase of 14.9 thousand, or 5.70%, as compared with the end of 2022, ranking first in terms of growth rate among joint-stock peers. As at 30 June 2023, the Bank had 32,481 institutional customers, representing an increase of 6.82% as compared with the end of 2022.

- As to the retail customers, as at 30 June 2023, the number of retail customers of the Bank was 126,323.6 thousand, representing an increase of 3.69% as compared with the end of 2022, and the number of eligible private banking customers was 45,248, representing an increase of 3,054, or 7.24%, as compared with the end of 2022. As at 30 June 2023, the number of VIP customers was 3,833.2 thousand, representing an increase of 170.2 thousand as compared with the end of 2022, and the number of retail loan customers was 3,092.0 thousand, representing an increase of 153.2 thousand as compared with the end of 2022.

Comprehensive products offering

- The Bank provides comprehensive products offering to its clients, including transaction banking, investment banking and intermediary banking services. In particular, the Bank is strong on providing various types of products to its micro, small, medium enterprises customers. In addition, in response to the changing market environment and the national policy, the Bank resolutely implemented national low-carbon transformation strategy, actively fulfilled ESG responsibilities, proactively integrated itself into the great picture of green development, constantly improved the marketing management system and continuously improved the quality and efficiency of green financial services; the Bank also proactively implemented national strategy for rural revitalisation, provided financial support to comprehensively advance rural revitalisation, continuously increased input in key fields of rural revitalisation, enhanced financial supply capability related to agriculture, rural areas and farmers, and took agricultural industry, infrastructure construction, green and sustainable development, areas that were lifted out of poverty and counties receiving focused assistance from the State as development priorities; and lastly, the Bank as well implemented the decisions and arrangements of the CPC Central Committee and the State Council for "implementing the strategy of building China into a leading manufacturer", proactively seized the opportunities in the development of green manufacturing and intelligent manufacturing industries, enhanced plan guidance and forward-looking arrangement, and tilted more resources to continuously improve the quality and efficiency in serving the real economy.

Accelerated digital transformation and pioneer in development of intelligent bank.

The Bank places heavy emphasis on digital transformation. In recent years, the Bank took digital transformation as the key driver to propel the development of the whole bank, and the Chairman served as the head of the leading group for digital transformation to strengthen coordinated management, optimise systems and mechanisms, continuously build the eco-bank and intelligent bank, enable the orderly implementation of digital transformation strategies, and effectively guide and support the high-quality operation and development of the whole bank.

The Bank strengthened top-level design and coordinated planning, and promoted orderly implementation of strategies. The coordination mechanism was improved with initial achievements. The Bank gradually improved the normalised cross-department agile mechanism, constantly deepened the cross-line coordination among business, risk management, IT, data and other departments, and continuously improved the R&D and iteration efficiency of innovative products. The Bank made breakthroughs in major bank-level agile projects, launched the smart decision-making product of "Minsheng Benefits" for proactive small business credit granting, and realised the upgrading of marketing model and the optimisation of risk control logic. In addition, the Bank put into operation the digital coordinated office platform of "iMinsheng (i民生)" in the whole group, effectively helping enhance the office efficiency and the cultural change of the Bank. The Bank also strengthened scenario construction and ecosystem connection, and enhanced the service capabilities of ecosystem finance. The Bank continued to innovate data-based credit enhancement products, launched the E-Procurement-Data-Based Credit Enhancement (採購e–數據增信) product for self-employed customer groups on the basis of E-Procurement-Data-Based Credit Enhancement product for legal persons, optimised data risk control models and credit evaluation systems, and formed a supply chain finance service system covering all customer groups, i.e. micro, small, medium, large and retail customers. For micro, small and medium export enterprises, the Bank launched the online credit product of "E-Export Finance (出口e融)". The Bank reshaped the process of supply chain business, applied the online smart risk control model and index system of supply chain finance to offline credit approval operations and post-loan management, and added functions such as graded and layered push of risk signals and multi-channel information notification, in a bid to support the integrated development of all customer groups.

By accelerating the improvement of key digital capabilities, the Bank created a new engine for the development of intelligent bank. The Bank built an intelligent marketing brain to improve its marketing strategy decision making process; the Bank improved the smart risk control system to enable more accurate, efficient and smarter risk control system; the Bank enhanced the quality and efficiency of its digital operation; the Bank upgraded the experience of online service channels and fully implemented the concept of "rich, smart, fast and safe"; the Bank improved its capabilities in digital products and services by building digital product factories and innovating products and services for payment and settlement; and the Bank empowered its business decision-making with the Business Intelligence platform so that the Bank was more intelligent in making decisions on business and management.

With all the efforts invested in the digital transformation, the Bank became the pioneer in terms of intelligent bank: the Bank created China's first core system running on a distributed architecture which is the first design enabling seamless customer migration, achieving zero system downtime and uninterrupted service; the Bank also transformed the underlying foundation through comprehensive digital upgrade and established an ecological dynamic system, breaking through the bottlenecks of banks being fragmented as a result of product and department centric institution; and the Bank successfully implemented "all member coordination, full journey connection, and all channel data connectivity" to achieve an end to end full journey customer service experience, developed a series of supply chain data based inclusive financial products, and created an ecological service platform for small and micro enterprises.

Prudent and comprehensive risk management system enabling stable asset quality.

The Bank's experienced risk management team continually develops and improves its risk management structure, procedures, tools and technology to monitor, assess and manage credit, market, liquidity and operational risks. As its risk control capability consistently improves, the Bank's asset quality continues to maintain at a level that outperforms industry average. The Bank is one of the first banks in the PRC banking industry to establish a comprehensive integrated risk management system requiring all approvals to come from its headquarters, and its risk management team has extensive risk management experience. The Bank continues to improve its risk management in order to improve its asset quality. As at 31 December 2020, 2021 and 2022, and as at 30 June 2023, the Group's impaired loan ratio[4] was 1.82 per cent., 1.79 per cent. and 1.68 per cent., and 1.57 per cent., respectively, with a loan coverage ratio[5] of 2.53 per cent., 2.60 per cent. and 2.39 per cent., and 2.31 per cent., respectively. As at 30 June 2023, the Group's non-performing loan ratio was lower than the industry average of 1.62 per cent. disclosed by National Financial Regulatory Administration.

The Bank has focused on asset quality in assessing the performance of its business. The Bank has established independent credit assessment, approval and monitoring procedures, and rationalised its loan asset portfolio by establishing procedures to identify and limit its exposure to high credit risk areas. The Bank uses advanced market risk and liquidity risk monitoring and analysis tools in order to identify, measure and manage liquidity risk and market risk. Through this process the Bank has sought to cultivate a culture of prudent and comprehensive risk management across its business.

The Bank also enhanced the effectiveness and efficiency of risk management and control, and strengthened early-warning management and capital flow monitoring through differentiated authorisation and process optimisation, so as to continuously enhance risk management effectiveness and efficiency. In addition, the Bank accelerated the construction of smart risk control system to improve its digitalised, online-based and smart risk management.

Experienced senior management team, sound corporate governance and skilled workforce.

The Bank has a senior management team with an average of 20 years of experience in financial industry and management. For example, the Bank's Chairman of the Board, Mr. GAO Yingxin, has over 20 years of financial industry experience and previously served as vice chairman and the chief executive of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited. Mr. ZHENG Wanchun, prior to being appointed as the President of the Bank, served as the vice president of Industrial and Commercial Bank of China Limited, the president of China Great Wall Asset Management Corporation, the vice president of China Huarong Asset Management Co., Ltd. and the chairman of Huarong Securities and Huarong Futures, with over 35 years of financial industry experience.

The Bank relies on advanced human resources management principles, including a competitive incentive scheme and an advanced training system to motivate its workforce and attract and retain qualified personnel. The Bank maintains a highly skilled workforce and regularly provides a variety of training programs to its employees. In addition, the Bank has a formalised college recruitment programme to attract talented employees, and has established the Minsheng Bank Training Institute to improve the quality of its workforce.

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4 The closing balance of the non-performing loans divided by the closing balance of the gross loans and advances to customers.

5 The closing balance of total allowance for impairment losses divided by the closing balance of total loans and advances to customers.

Model of practising ESG philosophy.

The Bank has been the model of practising ESG philosophy with its Corporate Sustainability Report published for 16 consecutive years and the Environmental, Social and Governance Report published for 7 consecutive years, and for the first half of 2023, the Bank published its Interim Special Report on Sustainable Development which is the first among the PRC joint-stock commercial banks.

The Board attached great importance to ESG, elevated ESG issues to an important position in corporate governance, and ensured to integrate ESG issues into all aspects of corporate governance, such as decision-making, supervision and implementation. The Board comprehensively supervised the implementation of ESG policies and plans (such as the Five-Year Development Plan for Consumer Rights Protection of China Minsheng Bank (2021-2025), the Five-Year Plan for Green Finance Development of China Minsheng Bank (2021-2025) and the Five-Year Development Plan for Inclusive Finance of China Minsheng Bank (2021-2025)), continued to improve the ESG governance structure, regularly reviewed ESG reports, studied and discussed on ESG issues, guided and supervised the management to carry out ESG related work, disclosed information in accordance with laws and regulations, and continued to improve the quality of ESG disclosure. The Bank formulated the Administrative Measures on Green Finance of China Minsheng Bank to clarify the Bank's green finance management system and the division of duties and management requirements inside the Bank.

The Bank implemented the strategic policies, decisions and arrangements on rural revitalisation of the CPC Central Committee and the State Council, with the promotion of key financial products, such as "Photovoltaic Loan (光伏貸)", "Revitalisation Loan (振興貸)", and the commercial vehicle leasing product of "Minsheng Easy Leasing (民生易租)", and has taken multiple measures including "One Branch Supporting One Township (一行興一鄉)", "Joint Hands Plan with Strategic Clients (戰略客戶攜手計劃)" and "New Business of Financial Assistance and Benefit to Farmers (金融助農惠農新業務)", thus embarking on a characteristic road of rural development via financial services. As at 30 June 2023, the balance of loans to areas lifted out of poverty of the Bank amounted to RMB43,243 million, and that of loans to counties receiving focused assistance from the State for rural revitalisation amounted to RMB8,185 million, and the balance of inclusive small business loans of the Bank amounted to RMB593,532 million, representing an increase of RMB44,481 million, or 8.10%, as compared with the end of 2022. The Bank was also dedicated to green and carbon trading production innovation by launching "E Carbon Loan (碳e貸)", "Emission Reduction Loan (減排貸)", "Carbon Emission Rights Guarantee Loan (碳權擔保貸款)" and "Pollutant Emission Rights Pledge Loan (排污權抵質押貸款)". As at 30 June 2023, the balance of green credit of the Bank amounted to RMB243,723 million, representing an increase of 35.47% as compared with the end of 2022, with the growth rate higher than the average of all loans.

In the first half of 2023, the Bank made multiple achievements in the works related to the improvement of ESG management, including being named on the lists of "China ESG Listed Company Pioneer 100 (中國ESG上市公司先鋒100)" by CCTV, "ESG Practice 50• Responsible Banks (ESG踐行50•責任銀行)" for 2023 by The Economic Observer, and "Top 30 Banks in ESG Star Rating of Comprehensive Strength for 2022 (2022年銀行綜合實力ESG星級測評TOP30)" by business.sohu.com, and ranking first in social responsibility fulfilment. In 2023, the Bank was also awarded AA rating by MSCI ESG which is the highest rating in Chinese bank industry, and the Bank ranked third among Chinese banks in regard to the scores.

The Bank's Strategies

The Bank aims to become a first-class commercial bank with distinctive features, continuous innovation, increasing value and steady operation.

2021-2025 is the strategic period for the Bank, which is divided into two development stages. The first stage (2021-2022) is the period to consolidate foundation, during which, the Bank will transform the growth pattern by laying sound foundation and consolidating the origins of businesses. The second stage (2023-2025) is the period of continuous growth, during which, the Bank will enhance its market competitiveness and achieve high-quality and sustainable development by strengthening capabilities and improving quality and efficiency.

2023 marks the end of the first stage and the beginning of the second stage (the "period of continuous growth") of the Bank's Five-Year Development Plan (2021-2025). The Bank will insist on prioritising high quality development and thoroughly implement the "12345" management and development strategies. Further focusing on customers, industries, products and resource allocation, the Bank will highlight key points, create characteristics, and build differentiated strategic competitive advantages. The Bank will also carry out in-depth development of existing businesses, seize opportunities to expand new businesses, speed up asset placement, and further improve customer services, in a bid to achieve high-quality development of the whole bank. To achieve these goals, the Bank's strategies include the following:

- "**One**" **main target**: The Bank will stick to three strategic positionings of "a bank for NSOEs, an agile and open bank and a bank with considerate services", and fully implement the "customer-centric" philosophy, so as to realise the main operating target of "high-quality income growth";

- "**Two**" **breakthroughs**: The Bank will make breakthroughs in two aspects, namely high-quality asset placement and liability quality improvement. In the process of strengthening management of customer groups and creating value for customers, the Bank will realise structure optimisation, scale expansion and revenue increase on the asset side. It will maintain coordinated development of deposits and loans, enhance support for core liabilities, optimise maturity term structure and customer structure of liabilities, and strengthen cost control;

- "**Three**" **pillars**: The Bank will enhance scale expansion and profitability improvement of retail business, comprehensive development of corporate business, and specialised management of financial markets business, so as to facilitate income growth. Focusing on the general retail customers, wealth management customers and private banking customers, the Bank will deploy financial products and benefits system in a differentiated manner, carry out in-depth operations of scenario-based finance such as travel, e-commerce, automobile consumption, etc., strengthen the coordination with branches in terms of credit card business, and expand the scale of transaction settlement, so as to improve the operating results of retail business. The Bank will accelerate the growth of strategic clients, become the "host bank" for scenario-based small and medium enterprises (SMEs) in the ecosystems and industry chains of core enterprises and featured industrial parks, and strengthen the chain-based corporate-retail synergy and coordinated marketing, in a bid to realise integrated and comprehensive development of micro, small, medium enterprises (MSMEs), large enterprises and retail customers in corporate ecosystems. The Bank will also improve the integrated marketing model for financial institution customer group, expand interbank settlement and custody funds, and seize market opportunities to increase income from financial markets business;

- "**Four**" **drivers**: The Bank strives to achieve high-quality development through in-depth management of key customer groups, forward-looking arrangement of key businesses, empowerment by antecedent risk compliance, and agile innovation of digital ecosystems. The Bank will deepen the layered and classified management of customer groups, facilitate breakthroughs in six major customer groups including strategic clients, SMEs, micro and small enterprises (MSEs), institutional customers, retail customers and financial institution customers, and enhance the effectiveness of integrated and comprehensive management of MSMEs, large enterprises and retail customers. With the application of comprehensive transaction banking products and key eco-finance projects as breakthroughs, the Bank will accelerate the deployment and innovation of eight major businesses, including bonds, bills, supply chains, agency business, wealth management, consumer loans, credit card and international business. The Bank will integrate customer experience into risk compliance, stay close to the market and customers, and further integrate credit approval reform and marketing system reform, in a bid to coordinate compliance management and steady business development. In addition, the Bank will accelerate digital transformation, continuously innovate eco-bank business models around scenario-based finance, constantly enhance the quality and effectiveness of intelligent banking services around data empowerment, and promote empowerment of sci-tech data to business innovation and development; and

- "**Five**"**-in-one system**: The Bank will build a supporting and guarantee system for resource allocation, process optimisation, evaluation and incentive, coordination culture, and supervision and inspection, to ensure effective connection and coordination of various policies, and to facilitate a sound and steady start for the second stage of the Five-Year Development Plan (2021-2025). The Bank will adhere to the principle of "quality first, priority in efficiency, appropriate scale, and matching capital and assets", closely link risk, capital, scale and revenue, and ensure smooth transmission among business expansion, income growth and value-added chain. Based on the problem-oriented approach and customer perspective, the Bank will establish a regular process management mechanism to conduct end-to-end inspection of key processes. Focusing on basic customer development, business structure optimisation and operation efficiency enhancement, the Bank will give full play to the guiding role of comprehensive performance evaluation. The Bank will strengthen the agile coordination mechanism of the whole bank to promote integrated business coordination, and create efficient comprehensive service model based on customer needs. The Bank will also perfect the closed-loop management mechanism for full-process strategies, and reinforce strategy execution and supervision.

The Bank also aims to strategically position itself as a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services, with the following strategies:

- A bank for NSOEs:

  o sticks to the customer positioning and strategic choice it has followed over the past 28 years, and keeps its distinctive features unchanged;

  o continues to leverage the advantages of market-oriented system and mechanism, wholeheartedly supports the development of the real economy, and strives to become a bank with the best services for NSOEs; and

  o builds a golden brand for the Bank in the field of financial services to micro, small and medium customers, so as to truly implement the mission of "serving the public, caring about people's livelihood".

- An agile and open bank:

  - o promotes continuous innovation and seeks for breakthroughs in technology-driven eco-bank to optimise comprehensive services such as scenario integration and ecosystem co-construction, and creates value for customers and grows together with them by empowering the whole production process and life journey of small, medium and large customers as well as individual customers; and

  - o strives to push the data-driven smart banking to a new level and elevate the digital intelligence level of operation and management in all aspects, in a bid to provide agile and efficient comprehensive services with the ultimate customer experience.

- A bank with considerate services:

  - o stays customer-centric and puts special emphasis on its original service, business origins and steady compliance;

  - o strives to build up trust through professional services, enhance experience through optimised procedures, strengthen customer stickiness through value creation; and

  - o maintains security through risk management and control, so as to unite with customers and partners, become customers of each other, grow together and achieve common prosperity.

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

Principal Business Activities

The Bank's business activities include three principal lines of business: corporate banking, retail banking and others. The following table sets forth the contribution of each line of business to the Group's total assets (excluding deferred income tax assets), operating income and profit before income tax for the six months ended/as at 30 June 2023:

	Total assets (excluding deferred income tax assets)	Operating income	Profit before income tax
		RMB million	
Corporate business	4,768,511	34,570	16,697
Retail business	1,825,845	31,601	10,134
Other[1]	990,118	3,697	(2,084)
Total	**7,584,474**	**69,868**	**24,747**

Note:

(1) The Group's other businesses include bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment, and those costs cannot be separated into any sections, and businesses of subsidiaries.

Corporate Banking

Overview

The Bank offers a broad range of products and services, including corporate loans, trade finance, bill discounting, corporate deposits, and fee and commission-based services, which comprise settlement, guarantees, custody and corporate annuities, foreign exchange services, entrusted loans and cash management services.

For the six month ended 30 June 2023, the Bank constantly optimised the layered and classified customer management system, and has built a business system consisting of multiple drivers of "strategic customer groups + basic customer groups + small business customer groups + institutional customer groups" and a business system with two wings of "basic products + eco-finance", and promoted the transformation of corporate business operation model, so as to improve the sustainable development capability of corporate business. Meanwhile, the Bank actively integrated itself into the great picture of national development, thoroughly implemented ESG philosophy, regarded corporate finance as a vital method for facilitating the high-quality development of the real economy, and continued to strengthen financial support for green finance, rural revitalisation, high-end manufacturing and other important fields of the real economy, in an effort to fulfil "Minsheng Bank's responsibility".

As at 30 June 2023, the Bank had 276.5 thousand corporate clients with an annual daily average balance of deposits of more than RMB100 thousand, representing an increase of 14.9 thousand, or 5.7 per cent., as compared with 31 December 2022. Corporate banking accounted for 56.07 per cent., 52.36 per cent., 48.82 per cent. and 49.48 per cent. of the Group's total operating income for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. The Group's corporate loans and advances accounted for 58.57 per cent., 56.96 per cent., 57.94 per cent. and 60.03 per cent. of its total loans and advances to customers of the Group, as at 31 December 2020, 2021 and 2022, and as at 30 June 2023, respectively, and the Group's corporate deposits accounted for 79.44 per cent., 77.97 per cent., 74.28 per cent. and 71.72 per cent. of its total deposits from customers of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

Corporate Banking Products and Services

The Bank provides corporate banking products and services for corporate customers, government agencies and financial institutions, including corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business.

Corporate Deposits

Corporate deposits include demand deposits and time deposits, denominated predominantly in Renminbi but also in major foreign currencies. The Bank accepts short-term, medium-term and long-term deposits from its corporate customers. The Bank also offers certain negotiated deposit products for which the Bank is permitted to negotiate interest rates. As at 30 June 2023, total corporate deposits of the Bank amounted to RMB3,042,078 million, representing an increase of RMB75,703 million, or 2.55 per cent., as compared with that as at 31 December 2022.

Corporate Loans

Corporate loans have historically comprised the largest portion of the Group's loan portfolio, and substantially all of its corporate loans are made to customers in the PRC. The Group's corporate loans include short-term, medium-term and long-term loans. The Group's corporate loans (including discounted bills) amounted to RMB2,257.3 billion, RMB2,304.4 billion, RMB2,399.3 billion and RMB2,636.0 billion as at 31 December 2020, 2021 and 2022, and as at 30 June 2023, respectively. The Group's corporate loans consist primarily of RMB-denominated loans, with a small portion of foreign currency-denominated loans.

Under the PBOC's guidelines, short-term loans are loans with maturities of one year or less. The Bank's short-term loan products consist primarily of working capital loans. The majority of the Bank's short-term loans are secured by either real property or securities, or are guaranteed by a third party.

Under PBOC guidelines, medium-term and long-term loans are loans with maturities greater than one year. The Bank offers various types of medium-term and long-term loans for a wide range of business purposes, including infrastructure, technology and real estate developments. The Bank also acts as arranger, manager and/or lender of syndicated loans to its customers to meet their needs for larger loans.

Investment banking

The Bank provides its corporate customers with consulting and financial advisory services. These services include formulating overall financing plans and structuring financing solutions, as well as arranging credit provided to its customers. The Bank also provides project management services to its customers to ensure that funds are allocated and used in accordance with their relevant financing plans. In addition, the Bank advises on mergers and acquisitions, capital raising, investments, restructuring, asset management, business integration and private equity financing.

For the year ended 31 December 2022, the Bank continued to enrich application scenarios, optimised operation models and deepened customer group services, so as to meet customers' financial demands in an all-round and diversified manner. The Bank proactively responded to the policies of the PRC government, enhanced resource allocation in new infrastructure construction investment, enhancement of weak links of supply chains and industry chains, basic industries of the national economy, state-owned enterprise reform and other key fields, supported enterprises and integrated itself into the new landscape of national development. As at 31 December 2022, the balance of M&A loans of the Bank amounted to RMB176,054 million, representing an increase of 19.81 per cent. as compared with that as at 31 December 2021. The balance of domestic syndicated loans (excluding M&A syndicated loans) amounted to RMB112,245 million, representing an increase of 28.10 per cent. as compared with that as at 31 December 2021. The Bank focused on serving national key strategies, and innovatively underwrote carbon neutrality bonds, green finance bonds, sustainable development-linked bonds, rural revitalisation bonds, and high-growth bonds, etc. For the year ended 31 December 2022, the bonds issued amounted to RMB277,917 million, of which, the Bank underwrote 565 non-financial corporate debt financing instruments with an amount of RMB266,747 million.

For the six months ended 30 June 2023, adhering to strategic orientation, services for customer groups, consistency and innovation, and risk prevention, the Bank continued to enrich application scenarios, and innovated operation models, so as to meet customers' financial demands in an all-round, diversified and comprehensive manner. Firstly, the Bank proactively responded to the policies of the PRC government, and enhanced resource allocation in key fields supported by the PRC government, such as large infrastructure, the manufacturing industry, new energy and new materials, thereby facilitating the development of the real economy. As at 30 June 2023, the balance of M&A loans of the Bank amounted to RMB182,824 million, representing an increase of 3.85 per cent. as compared with that as at 31 December 2022. The balance of domestic syndicated loans (excluding M&A syndicated loans) amounted to RMB152,891 million, representing an increase of 36.21 per cent. as compared with that as at 31 December 2022. Secondly, the Bank focused on serving national key strategies, and innovatively underwrote carbon neutrality bonds, green finance bonds, sustainable development-linked bonds, rural revitalisation bonds, and high-growth bonds, etc. For the six months ended 30 June 2023, the bonds issued amounted to RMB185,751 million, of which, the Bank underwrote 369 debt financing instruments of non-financial enterprises with an amount of RMB180,881 million.

Transaction Banking

The Bank has set up the Transaction Banking Department to enhance services, restructure product systems, foster innovative mechanisms and construct IT platforms and systems. Transaction banking business mainly focuses on trade finance through corporate network financing and cash management. The Bank also extends its service scope to logistics, capital flow, information flow and other aspects of enterprises, with an aim to provide a comprehensive package of financial services solutions for enterprises and enhance types and capabilities of customer services.

Supply Chain Finance

The Bank puts emphasis on key businesses such as automobile, liquor, home appliance, construction and pharmaceutical. Based on the characteristics of each industry, the Bank helped customers by offering tailor-made financial solutions based on product packages and innovative services, to improve and refine supply chain product series. For the six months ended 30 June 2023, the Bank continued to innovate data-based credit enhancement products, launched the E-Procurement-Data-Based Credit Enhancement (採購e–數據增信) product for self-employed customer groups on the basis of E-Procurement-Data-Based Credit Enhancement product for legal persons, optimised data risk control models and credit evaluation systems, and formed a supply chain finance service system covering all customer groups, i.e. micro, small, medium, large and retail customers. The Bank constantly increased its connection with platforms, completed the direct connection of Supply Chain Bills (供應鏈票據) products with "CSCC (中企雲鏈)", "JDH (簡單匯)" and "SDHS (山東高速)" and other platforms, and cooperated with 11 new platforms for E-Credit Finance. For the six months ended 30 June 2023, the Bank optimised a total of 312 product functions for supply chain finance ecosystems, added nearly 50 risk early-warning signals, and significantly enhanced customer experience and risk monitoring capabilities.

In order to effectively realise batch customer acquisition and comprehensive development through supply chain business, and to further enhance the brand influence of supply chain products of the Bank, in 2023, the Bank launched the series of supply chain finance activities of supply chain customer conventions (客商大會) with the theme of "Supply Chain-Based Development (以鏈為基 綻放光芒)" nationwide, further empowering the acquisition, expansion, increase and retention of basic customer groups through supply chain business. For the six months ended 30 June 2023, the Bank hosted a total of 65 supply chain customer conventions, involving 34 branches, 61 core enterprises, and 4,905 customers present on site. As at 30 June 2023, the balance of key eco-finance products of the Bank reached RMB98,381 million, representing an increase of 32.55 per cent. as compared with that as at 31 December 2022, and the newly increased chain-based financing customers amounted to 5,158.

Corporate Non-interest Income Business

The Bank offers a wide range of non-interest-based income products and services, mainly including settlement, guarantee, custody and corporate annuity, foreign exchange, consulting and financial advisory, entrusted loans and cash management services. The Bank's corporate non-interest income has grown significantly in recent years.

Settlement Services

The Bank provides settlement services in connection with its domestic and international corporate banking businesses. The Bank's domestic settlement services include settlement through cash, drafts, promissory notes, cheques and other negotiable instruments. The Bank also offers entrusted collection, payment and disbursement services to its corporate customers. The Bank's international settlement services include remittance and collection, and the provision of letters of credit.

Guarantee Services

The Bank provides bank guarantee services to its corporate customers. Such services include, amongst others, the provision of tender, performance, advance payment, customs and loan guarantees, and the processing of trade tariff payment guarantees. The Bank also requires its customers to provide various forms of security for the provision of such guarantees as part of its risk management in offering guarantee services. As at 31 December 2020, 2021 and 2022, and as at 30 June 2023, the Group's balance of guarantees totalled RMB158,889 million, RMB146,076 million, RMB134,395 million and RMB124,434 million, respectively.

Agency Services

The Bank provides entrusted lending services to its customers who elect to make loans on an entrusted basis through commercial banks. The Bank extends entrusted loans and collects payments on behalf of its customers. The Bank's customers assume the credit risks of these loans, and the Bank charges an agency fee based on the size of the entrusted loan.

NSOE strategy

With focus on NSOE customer groups, the Bank has further innovated the "five-in-one" service model. It has also refined the segmentation and classification of its customers and established a digitalised, standardised and process-based SME business model, which has provided comprehensive and professional financial solutions to strategic NSOEs, niche NSOEs, small and medium NSOEs and small and micro customers.

Adhering to the strategic positioning of "a bank for the NSOEs", the Bank developed and promoted financial products for sci-tech innovation enterprises, and increased the placement of credit loans and first loans with focus on new and high-tech enterprises, the "dedicated, refined, distinctive and innovative (專精特新)" SMEs, sci-tech-based SMEs and other market entities. The growth rate of loans to "dedicated, refined, distinctive and innovative" enterprises continued to rise throughout the year ended 31 December 2022. The Bank promoted the transformation of new small business models in line with the standards of "true micro and small enterprises, practical use, online operation and credit loans", studied and perfected the guarantee measures to support the development of micro and small enterprises, and launched four major product systems of "Commercial Loan Express (商貸通)", "Industrial Loan Express (工貸通)", "Agricultural Loan Express (農貸通)" and "Online Loan Express (網貸通)", so as to fully support micro and small enterprises to become stronger and better. For the year ended 31 December 2022, the Bank continued to overfulfill the target of "double increases" in inclusive small business loans.

The Bank iterated and upgraded the product series of "Minsheng E-Chain (民生E鏈)", including E-Procurement-Data-Based Credit Enhancement (採購e-數據增信), E-Procurement-Strong Credit Enhancement (採購e強增信), E-Order (訂單e), E-Credit Finance (信融e) and Supply Chain Bills (供應鏈票據), and constantly optimised the product series of "Minsheng Express Loan (民生快貸)", such as

Government Procurement Fast Loan (政採快貸) and Goods Ordering Fast Loan (訂貨快貸). The Bank duplicated and promoted the internet ecosystem-based loan model in cross-border e-commerce, and developed innovative products such as E-Export Finance (出口e融) and Goods Supply Fast Loan (供貨快貸). The Bank also constantly promoted the full-process centralised operation of the product series of "Minsheng E-Chain", and developed the ecosystem service platform for MSMEs, to enable them to improve operation capabilities and realise digital transformation. As at 30 June 2023, the Bank granted an overall credit of RMB13.5 billion to the enterprise, provided financing support for more than 130 enterprises in the supply chain, and served 280 thousand ecosystem-based retail customers of the enterprise, effectively supporting its ecosystem construction. As at 30 June 2023, the financing balance of ecosystem finance business amounted to RMB98,381 million, representing an increase of 32.55 per cent., as compared with the end of the previous year. Of which, the financing balance of MSEs was RMB38,413 million, representing an increase of 56.97 per cent., as compared with the end of the previous year.

Retail Banking

Overview

The Bank offers a wide range of products and services to retail customers, including loans, deposits, debit cards, credit cards, wealth management and other services. For the year ended 31 December 2022 and the six months ended 30 June 2023, the Bank continued to deepen the development strategy of taking retail business as a long-term and fundamental strategic business. For the year ended 31 December 2022, the Bank further advanced the development of customer groups with the model of "organic growth + external expansion", created more business opportunities through the management of segmented customer groups, continuously upgraded the product and service system, built digital management capabilities, constantly improved customer experience, and achieved the high-quality development of retail business. Further, for the six months ended 30 June 2023, the Bank intensified the integrated development of customer groups, and continuously enhanced the capability in management of segmented customer groups. The Bank also upgraded the product and service system, strengthened digital management capabilities, and improved customer experience, in an aim to foster competitive advantages of retail business in the market.

For the year ended 31 December 2022, operating income from retail banking of the Group was RMB64,951 million, representing a decrease of 7.73 per cent. as compared with that for the year ended 31 December 2021, and accounted for 46.65 per cent. of the total operating income of the Group, representing an increase of 4.13 per cent. as compared with that for year ended 31 December 2021, whereas for the six months ended 30 June 2023, operating income from retail banking of the Group was RMB31,601 million, representing a decrease of 5.52 per cent. as compared with that for the six months ended 30 June 2022, and accounted for 45.23 per cent. of the total operating income of the Group, representing a decrease of 0.76 per cent. as compared with that for the six months ended 30 June 2022.

For the year ended 31 December 2022, the Group's net non-interest income from retail banking was RMB12,689 million, representing a decrease of 19.34 per cent. as compared with that for the year ended 31 December 2021, and accounted for 19.54 per cent. of the Group's operating income from retail banking and 50.57 per cent. of net non-interest income from corporate and retail businesses of the Group for the year ended 31 December 2022, whereas for the six months ended 30 June 2023, the Group's net non-interest income from retail banking was RMB6,196 million, representing a decrease of 10.14 per cent. as compared with that for the six months ended 30 June 2022, and accounted for 19.61 per cent. of the Group's operating income from retail banking and 39.49 per cent. of net non-interest income from corporate and retail businesses of the Group for the six months ended 30 June 2023.

Retail Banking Products and Services

The Bank provides retail banking products and services for individual clients and small and micro-enterprises, including loans, credit and debit card services, wealth management, private banking and various intermediary businesses. As at 31 December 2020, 2021 and 2022, and as at 30 June 2023, the balance of the Group's personal loans and advances was RMB1,596.6 billion, RMB1,741.3 billion, RMB1,741.9 billion and RMB1,755.0 billion, respectively.

Financial assets

As at 30 June 2023, total retail AUM of the Bank amounted to RMB2,302,095 million, representing an increase of 4.76 per cent. as compared with that as at 31 December 2022, of which, the financial assets of customers holding gold and higher level cards amounted to RMB1,906,423 million, representing an increase of 3.78 per cent. as compared with that as at 31 December 2022, accounting for 82.81 per cent. of total retail AUM of the Bank as at 30 June 2023. As at 30 June 2023, the Bank's retail saving deposits amounted to RMB1,168,952 million, representing an increase of RMB166,891 million, or 16.65 per cent. as compared with that as at 31 December 2022, of which, the structured deposits amounted to RMB33,000 million, accounting for 2.82 per cent..

Retail loans

The Bank offers customer services and support for business development of small and micro-enterprises, as well as to satisfy the reasonable capital demands of residents for daily consumption and housing mortgages. For the six months ended 30 June 2023, the Bank conscientiously implemented the decisions and arrangements of the CPC Central Committee and the State Council and the working requirements of the regulators, remained steadfast in the strategic direction, pursued progress in stability, and took multiple means to promote the effective growth and structure optimisation of credit business. Going forward, the Bank will further intensify the placement of high-quality credit assets and increase the proportion of retail loans in asset structure.

As at 30 June 2023, retail loans (including credit card overdraft business) of the Bank amounted to RMB1,851,856 million, representing an increase of RMB52,698 million as compared with that as at 31 December 2022. As at 30 June 2023, the number of retail customers was 126,323.6 thousand, representing an increase of 3.69 per cent., as compared with that as at 31 December 2022. As at 30 June 2023, the Group's total loans to small and micro enterprises amounted to RMB658,984 million, representing an increase of 6.01 per cent. as compared with that as at 31 December 2022.

Traditional retail business and community finance

The Bank's traditional retail business includes property mortgage loans and other loans to individual businesses, the retail deposits business and the debit card business.

The Bank entered the property mortgage loan business in 1998. Since then, its business has grown substantially, corresponding with the general increase in private home ownership in the PRC. The Bank offers mortgage loans in both the primary and secondary real estate markets.

The Bank also provides other retail loan products, including automobile loans and consumer loans. The Bank provides other loans to individuals, with terms of five years or less, for home renovation, purchases of durable consumer goods, education and other purposes. The Bank requires guarantees or collateral to secure most of these loans. The Bank's other loans to individuals represent a relatively small portion of its total retail loans.

The Bank's retail deposits include demand deposits, time deposits and notice deposits, denominated in both Renminbi and foreign currency. As at 30 June 2023, the Bank's retail savings deposits amounted to RMB1,168,952 million, representing an increase of RMB166,891 million as compared with that as at 31 December 2022.

In response to the national strategy of promoting inclusive finance, the Bank promoted the upgrading of community finance business model. Operating capability and capacity of community-based banking has significantly improved as a result of a fully optimised community finance business model. As at 30 June 2023, the Bank had 1,079 community sub-branches and 137 small business sub-branches. As at 30 June 2023, total financial assets of small business of the Bank amounted to RMB760,594 million, representing an increase of RMB77,153 million as compared with that as at 31 December 2022. As at 30 June 2023, the number of retail customers was 126,323.6 thousand, representing an increase of 3.69 per cent. as compared with that as at 31 December 2022.

The Bank also offers personal internet finance services to its retail banking customers, such as direct banking, mobile banking, mobile and online payments and WeChat banking. For further information see "*– E-Banking Services*" below.

Credit and debit card business

The bank has issued credit cards to customers since June 2005. The Bank's credit cards target different customer groups and provide different value-added services. The value-added services the Bank provides primarily include airport VIP lounge access, medical appointments, golf course access, roadside rescue, business travel reservations and personal legal assistance. Moreover, the Bank has launched numerous new consumer credit products, including consumer loan auto payment, consumer micro-loan and multi-loan products. As at 30 June 2023, the total number of credit cards issued by the Bank amounted to 70,084.5 thousand, representing an increase of 2.80 per cent. as compared with that as at 31 December 2022. The number of credit card customers was 49,371.8 thousand, representing an increase of 3.23 per cent. as compared with that as at 31 December 2022.

The Bank began offering debit card services in 1998. Its debit card products include UnionPay, international and VIP, as well as special feature and co-branded debit cards. The Bank's UnionPay debit cards may be used through both its network and the China UnionPay network. The Bank's international debit cards may be used throughout the VISA International bank card network to conduct operations such as ATM enquiries, withdrawals and point-of-sale spending, and cardholders are also entitled to services such as overseas emergency assistance. From time to time, the Bank also introduces various types of special-feature or co-branded cards together with its alliance partners.

Private banking business

The Bank provides private banking services to individuals or families with financial assets (entrusted with the Bank). As at 30 June 2023, the number of eligible private banking customers reached 45,248, representing an increase of 3,054, or 7.24 per cent., as compared with that as at 31 December 2022, and the financial assets under management of eligible private banking customers amounted to RMB600,720 million, representing an increase of RMB30,631 million, or 5.37 per cent., as compared with that as at 31 December 2022. As at 31 December 2022, the number of eligible private banking customers reached 42,194, representing an increase of 3,649, or 9.47 per cent., as compared with that as at 31 December 2021, and the financial assets of eligible private banking customers of the Bank was RMB570,089 million, representing an increase of RMB37,921 million, or 7.13 per cent., as compared with that as at 31 December 2021. As at 31 December 2021, the number of eligible private banking customers reached 38,545, representing an increase of 4,803, or 14.23 per cent., as compared with that as at 31 December 2020, and the financial assets under management of eligible private banking customers amounted to RMB532,168 million, representing an increase of RMB56,419 million, or 11.86 per cent., as compared with that as at 31 December 2020.

Treasury Business

Interbank treasury business

The Bank has formulated classified marketing guidelines for inter-bank customers and marketing plans for key inter-bank customers to effectively strengthen the coordination with customers and comprehensive marketing efforts. Based on customer assessment and customer value, differentiated marketing and service systems were established. The Bank also launched an updated "E-Interbank + Platform V3.0 (同業e+平台3.0版)" APP in 2022 to provide financial institution customers with more professional digital marketing, investment transaction services.

For the six months ended 30 June 2023, the Bank adhered to the customer-centric philosophy and market-oriented management, actively grasped the opportunities of treasury business and investment business, optimised the asset-liability structure, and achieved steady business development. Firstly, the Bank optimised the liability structure. The Bank maintained the scale of demand deposits from financial institutions business and the scale of interbank negotiable certificate of deposits (IBNCD) generally stable. As at 30 June 2023, the Bank's total interbank liabilities (including IBNCD) amounted to RMB2,071,746 million, representing an increase of 3.02 per cent. as compared with that as at 31 December 2022. Secondly, the Bank promoted the asset placement. As at 30 June 2023, the Bank's total assets of financial institutions business amounted to RMB314,323 million, representing an increase of 10.91 per cent. as compared with that as at 31 December 2022.

Financial markets business

The Bank is involved in the financial markets businesses such as: fixed-income business, foreign exchange business, precious metals business and structured products.

In terms of fixed-income business, the Bank deepened its business reform to improve portfolio management. The Bank deepened the reform of its bond investment business and created an integrated Minsheng fixed-income brand covering investment, trading, sales, agency and others. The Bank improved the market-oriented, specialised and standardised management of bond business. And the Bank implemented the philosophy of "financing for the people", supported the high-quality development of the real economy, proactively participated in the investments in themed bonds and asset-backed securitisation products related to green finance, "carbon neutrality" and rural revitalisation, etc., and served the transformation and upgrading of the real economy. As at 30 June 2023, total bond assets of the Bank amounted to RMB1,925,511 million, of which, the RMB denominated bond assets amounted to RMB1,805,692 million and the bond assets denominated in foreign currencies amounted to RMB119,819 million (after conversion).

In terms of foreign exchange business, the Bank strengthened the publicity of foreign exchange hedging services, based on serving the real economy. The Bank advocated the philosophy of exchange rate risk neutral and continued to guide clients to enhance their awareness of exchange rate risk management. By strengthening the research and development of foreign exchange risk hedging products, optimising and upgrading business system, expanding sharing information with customers and other measures, the Bank continued to improve customer service efficiency, reduced the cost of enterprises in information acquisition and hedging transaction, and provided corporate clients with high-quality exchange rate risk hedging services. At the same time, the Bank actively expanded the foreign exchange business of interbank institutions to meet the exchange and hedging needs of small and medium financial institutions in foreign exchange settlement and sale, and foreign exchange trading. For the six months ended 30 June 2023, the trading volume of derivatives in the domestic interbank foreign exchange market amounted to USD467,540 million, and the Bank ranked among the top in the comprehensive ranking of market makers in the interbank foreign exchange market.

In terms of precious metals business, the Bank implemented the "customer-centric" philosophy, and proactively established an integrated and comprehensive service platform encompassing "physical object, stocking, investment, trading, risk hedging, wealth management, and financing". The Bank is one of the most active dealers at the Shanghai Gold Exchange, and for the six months ended 30 June 2023, the trading volume of gold of the Bank amounted to 539.47 tons with the trading amount reaching RMB235,254 million. The trading volume of silver amounted to 1,476.92 tons with the trading amount reaching RMB7,680 million. The Bank is one of the top 10 market makers in the interbank price asking market of Shanghai Gold Exchange, and also one of the gold-medal winner market makers of gold futures in Shanghai Futures Exchange.

In terms of structured products, the Bank continued to optimise customer investment tools and improved the allocation efficiency of social funds in the field of rural revitalisation. The Bank further enriched the shelf of structured deposit products and agency derivative products, providing diversified investment tools for corporate clients and individual customers. Based on customer needs, the Bank continuously promoted the construction of digital system, built an intelligent customisation platform for structured deposits, and helped enhance customer experience and core competitiveness of the products. The Bank proactively implemented the philosophy of green development, innovatively developed and successfully released the Minsheng Bank Rural Revitalisation Main-Category Assets Allocation Index – the market's first asset allocation index with the theme of rural revitalisation – and was the first to launch the structured deposit products linked to the index, which further enriched investors' asset allocation themes and strategy selection, and improved the allocation efficiency of social funds in the field of rural revitalisation.

Asset custody business

The Bank provides custody products such as public funds, banking wealth management and asset securitisation. For the year ended 31 December 2022 and the six months ended 30 June 2023, the Bank comprehensively promoted the optimisation and reshaping of custody service process, strengthened basic service capabilities, expanded branded and distinctive services, cultivated custody business ecosystem, and strove to develop itself into a full-scenario custodian bank with professional, efficient, agile and open, flexibly customised services that served customer journey, in a bid to promote continuous and high-quality development of asset custody business. Internally, the Bank continued to promote the reform and transformation of custody business, implemented the "custody +" coordination mechanism and promoted the growth in the custody scale of core products. Externally, the Bank launched the self-service butler service for custody operation, and the real time gross settlement (RTGS) transaction fund clearing function, continuously improved professional service capabilities and customer service experience, and developed itself into a full scenario custodian bank that served customer journey.

As at 30 June 2023, total assets under the custody of the Bank (including various types of funds under supervision) amounted to RMB11.96 trillion, of which, total insurance funds under custody amounted to RMB428,087 million, representing an increase of 25.04 per cent. as compared with that as at 31 December 2022.

In respect of pension business, in line with the government policy on improvement and development of multi-pillared pension schemes, the Bank expanded its product portfolio covering corporate annuity, occupational annuity, pension products and pension management products under its qualifications of annuity custody and account management. The Bank continued to improved operation management and customer service to provide quality pension fund management services for corporate and individual customers. As at 30 June 2023, the size of corporate annuity under custody of the Bank amounted to RMB53,030 million, and the number of personal accounts under corporate annuity account management business reached 240.0 thousand.

Overseas Business

The Bank's Hong Kong Branch has successfully become an overseas business platform for the Bank, which enhanced the financial support available to Chinese enterprises for their overseas expansion as part of the implementation of the PRC government's "Going global" strategy and "One Belt and One Road Initiative" as well as the globalisation of Renminbi. Capitalising on the cross-border synergy with the Head Office and grasping the strategic opportunities arising from the "Guangdong-Hong Kong-Macau Greater Bay Area" and others, the Hong Kong Branch focused on providing professional cross-border financial solutions for quality customers. The Hong Kong Branch is committed to developing three major business segments, namely corporate banking, financial markets and private banking and wealth management. See "*Description of the Hong Kong Branch*" for further information.

Other Business

Financial Leasing

The Bank's subsidiary, Minsheng Financial Leasing, was established in April 2008. Minsheng Financial Leasing was one of the first five financial leasing companies with banking background approved by the former CBRC. It primarily offers financial leasing of vehicles, vessels, commercial aircraft, business jets, as well as large-scale equipment. The Bank believes that it is one of the pioneers in the vessel financial leasing market in China. The Bank also believes that it is one of the first banks in the PRC to offer operating leases for executive aircraft. Given its unique position in the financial leasing industry, the Bank believes that it is well-placed to continue its expansion in this industry.

For the year ended 31 December 2022, Minsheng Financial Leasing continuously overcame the negative effects of the economic downturn, strove to increase income, reduce cost and improve efficiency, and maintained "progress in stability" in operating results, and continued to optimise business structure. For the year ended 31 December 2022, Minsheng Financial Leasing's operating income amounted to RMB6,992 million. Of newly-increased loans, the retail and inclusive finance businesses accounted for 61.68 per cent.

For the six months ended 30 June 2023, Minsheng Financial Leasing overcame the challenges of external constraints, adhered to the leasing origin, and resolutely advanced reform, transition and high-quality development, keeping its operating results basically stable and continuously optimising its business structure. For the six months ended 30 June 2023, the placement of leasing business of Minsheng Financial Leasing amounted to RMB34,450 million, representing an increase of 51.66 per cent. as compared with that for the corresponding period of 2022. Of newly-increased placement, the retail and inclusive finance businesses accounted for 63.19 per cent., representing an increase of 1.51 percentage points as compared with that as at 31 December 2022.

As at 30 June 2023, total assets of Minsheng Financial Leasing amounted to RMB184,151 million, representing an increase of 5.57 per cent. as compared with that as at 31 December 2022.

Additionally, for the six months ended 30 June 2023, the "customer service system of consumer rights protection" of Minsheng Financial Leasing was successfully included into the service innovation case of China's banking industry and insurance industry in 2022 by the China Banking and Insurance News, becoming the only financial leasing company included and also the first company winning this honour in the financial leasing industry. Minsheng Financial Leasing also won the "Navigator Award" (Innovative Enterprise Award) of China's auto industry and financial industry in 2023 presented by the Global Leasing Competitiveness Forum.

Investment Fund Management

In November 2008, the Bank founded the Minsheng Royal Fund, a Sino-foreign joint venture fund management company, with Royal Bank of Canada and Three Gorges Financial Company. The Minsheng Royal Fund was established with a registered capital of RMB300 million, and the Bank held 63.33 per cent. of the equity interest of the joint venture. The performance of mid- to long-term investments of Minsheng Royal Fund was outstanding. It won the Golden Bull Awards (金牛獎) for 24 times in the past ten years, and has been fully recognised by the investors and the industry. The Bank expects that its investment fund management business operated by this joint venture will benefit from the international experience of Royal Bank of Canada in professional investment.

As at 30 June 2023, Minsheng Royal Fund had total assets of RMB2,228 million and net assets of RMB1,726 million. As at 30 June 2023, a total of 98 public funds were managed under Minsheng Royal Fund, which covered various types with high, medium and low risks and cross-border products. As at 30 June 2023, non-monetary wealth management funds under its management was RMB120,560 million, representing an increase of 17.89 per cent. as compared with that as at 31 December 2022. Minsheng Royal Fund also managed 58 private equity asset management plans with a management scale of RMB34,547 million.

The Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and held a 52.71 per cent. equity interest as at 30 June 2023. Minsheng Royal Asset Management's registered capital was RMB968 million, and the scope of business includes asset management for specific customers, other businesses approved by the CSRC, and investment consultancy. As at 30 June 2023, assets managed by Minsheng Royal Asset Management amounted to RMB7,989 million.

CMBC International

CMBC International is a wholly-owned subsidiary of the Bank established on 11 February 2015 in Hong Kong under the approval of the former CBRC, with a registered capital of HK$4,207 million and was principally engaged in sponsorship of listing in Hong Kong, financial advisory, underwriting and issuance of bonds, asset management and wealth management, stock brokerage, equity investment and structured financing. CMBC International, through its subsidiaries, is licensed to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities in Hong Kong by the Securities and Futures Commission. As at 30 June 2023, CMBC International had total assets and total liabilities of HK$22,654 million and HK$18,954 million, respectively. Its net assets amounted to HK$3,700 million, and total equity attributable to holders of equity shares of the Bank amounted to HK$3,071 million.

Minsheng Rural Banks

Minsheng rural banks collectively refers to the rural banks initiated and established by the Bank as a major promoter. Minsheng rural banks actively explore SME and rural financial service models with local characteristics, which closely follow the Bank's financial strategies for non-state-owned enterprises as well as small business finance. The Bank believes these rural banks effectively promote the brand name and corporate culture of Minsheng and expand the geographic coverage of its services.

As at 30 June 2023, the Bank had established 29 Minsheng rural banks with 83 business outlets, with total assets of RMB43,217 million; balances of deposits and total loans amounted to RMB37,094 million and RMB26,389 million, respectively.

CMBC Wealth Management

The Bank fulfilled the "investors' interest-first" business philosophy and adhered to the investment goals of "long-term stability and absolute returns", and continuously enhanced its core capabilities, such as investment research, product development, sales services and digital technologies, etc.. The wealth management subsidiary of the Bank, CMBC Wealth Management, was established on 24 June 2022 under the approval of the former CBIRC. With a registered capital of RMB5 billion, CMBC Wealth Management is a wholly-owned subsidiary of the Bank. Its main businesses include issuance and investment management of publicly offered wealth management products, issuance and investment management of private equity wealth management products, wealth management advisory and consultancy services, and other businesses approved by the former CBIRC.

For the year ended 31 December 2022, CMBC Wealth Management persisted in serving the real economy and national strategies, implemented inclusive finance, facilitated common prosperity, and built up the development pattern of "one body and two wings" through differentiated market positioning. CMBC Wealth Management continuously improved the deployments of net-worth products, and on the basis of basically realising full coverage of mainstream product varieties, it increased issuance of products with low volatility and steady yield, so as to meet investors' demands for low-risk products in the volatile market environment. CMBC Wealth Management continuously promoted product innovation, and successfully issued the "Daily Profit Increase Cash Management No. 1 Wealth Management Product (天天增利現金管理1號理財產品)", the first product with the T+0 quick redemption function, and the first ESG-themed "Gui Zhu Fixed-Income Enhancement Low-carbon Pioneer 1-Year Regular Opening Wealth Management Product (貴竹固收增強低碳領先一年定開理財產品)". CMBC Wealth Management comprehensively advanced the expansion of agency channels of other banks, and signed agency sales cooperation agreements with six banks. The first batch of agency sales products was rolled out only three months after its opening. The investment-research integration mechanism took shape, gradually releasing the investment-research synergy effectiveness. Independent and standardised research system and regular investment-research interaction mechanism were put in place, and the capabilities for allocation of major types of assets and asset acquisition were enhanced evidently.

For the six months ended 30 June 2023, CMBC Wealth Management served national and regional strategies, improved the coordination quality and effectiveness of the Group, issued regionally themed wealth management product series and formed brand effect, effectively mobilising the linkage of assets and liabilities of regional operating units, improvement of services for strategic clients and growth of the number of wealth management customers. CMBC Wealth Management fulfilled the national philosophy of high-quality development, issued "Rongzhu Mixed High-quality Development One-Year Wealth Management Product (榮竹混合高質量發展一年持有期理財產品)", and proactively seized the market opportunities brought about by industrial development, sci-tech innovation, and state-owned enterprise reform during the high-quality development process in China. CMBC Wealth Management further improved the layout of net value products, and continuously enriched the product lines such as retail, private banking, institutional customisation, and third-party agency. CMBC Wealth Management innovated product strategies, issued the product of "Mu Biao Ying (目標盈)" and structured products. Moreover, CMBC Wealth Management enhanced product quality management, and established the full life-cycle product management system. The effectiveness of investment-research integration appeared gradually. The Bank was granted the "Wealth Management Bank Golden Bull Award (理財銀行金牛獎)" in the 3rd "Wealth Management Golden Bull Awards of the Banking Industry in China (中國銀行業理財金牛獎)" by China Securities Journal, and Jin Zhu FOF 1-Year Wealth Management Product (金竹FOF一年持有期理財產品) won the "Bank Wealth Management Product Golden Bull Award (銀行理財產品金牛獎)". CMBC Wealth Management won three major awards of PY Standard, including "Excellent Innovative Wealth Management Company (卓越創新理財公司)", "Excellent Wealth Management Company in Return on Investment (卓越投資回報理財公司)" and "Outstanding Equity-Based Bank Wealth Management Product (優秀權益類銀行理財產品)". CMBC Wealth Management pushed ahead with the expansion of third-party agency channel, and signed agency sales cooperation agreements with 10 banks, achieving the release and sales of agency products at seven banks.

Distribution Network

The Bank delivers its products and services through a variety of distribution channels, including branches, subbranches, SBUs, self-service banking centres, ATMs, customer service centres and telephone banking, Internet banking and mobile phone banking. The Bank also utilises online banking, telephone banking and mobile phone banking to serve its customers.

Branch Network

Most of the Bank's branches are organised in a hub-and-spoke structure. Its branches are responsible for operations within a geographical area, such as a province or a major metropolitan area. Each sub-branch covers several geographical sub-areas within a branch's coverage area, and functions as a full-service banking outlet for its customers.

As at 30 June 2023, the Bank had set up 42 tier-one branches and 105 tier-two branches (including remote sub-branches), 1,238 business outlets of sub-branches (including the business departments), 1,079 community subbranches and 137 small business sub-branches.

Self-Service Banking Centres and ATMs

The Bank believes self-service banking centres and ATMs provide cost-efficient alternatives to branches and sub-branches. Its self-service banking centres typically have several ATMs and enquiry machines, and offer withdrawal, account enquiry, bill payment, deposit, passcode changing, foreign currency exchange and/or fund transfer services. Its ATMs and self-service banking centres are situated at various locations, including shopping malls, supermarkets, airports, residential areas, hospitals, schools or on major streets in metropolitan areas, so as to provide convenient access to its customers and to augment its branch and sub-branch network.

The Bank is a shareholder of China UnionPay, which operates the Bank card and electronic interbank information exchange and transaction network in the PRC. The Bank's membership of China UnionPay significantly broadens its distribution network by allowing its customers to use any ATM within the network in China and overseas.

Customer Service Centres and Telephone Banking

The Bank's individual branches have been providing telephone banking services since 1999. In 2002, the Bank commenced an initiative to integrate its telephone banking services on a nationwide basis by launching a single nationwide customer service number 95568. The Bank has standardised its services, such as financial and other business enquiries, on a 24-hours a day, seven days a week basis.

The Bank currently provides nationwide telephone banking service coverage, which includes both automated voice and teller-operated services. These services include business enquiry, account information checking, inter-account transfers, funds transfers, bill payments, wealth management and appointment bookings.

The Bank also diversifies its multimedia communication channels such as WeChat to establish a multifaceted and professional service system and to improve its service quality and standard.

E-Banking

The Bank believes that it is one of the first banks in the PRC to provide customer service through a wide range of communication channels, including telephone, facsimile, short message service, mobile phone and internet. The use of these multiple channels makes it more convenient for the Bank's customers to bank with it, and further solidifies its reputation for first-class customer service.

Digital transformation

For the recent years, the Bank took digital transformation as the key driver to propel the development of the whole bank, and the Chairman served as the head of the leading group for digital transformation to strengthen coordinated management, optimise systems and mechanisms, continuously build the eco-bank and intelligent bank, enable the orderly implementation of digital transformation strategies, and effectively guide and support the high-quality operation and development of the whole bank. The Bank has made significant efforts to promote the digital transformation, including: strengthening top-level design and coordinated planning, and promoting orderly implementation of strategies; strengthening scenario construction and ecosystem connection, and enhancing the service capabilities of ecosystem finance; accelerating the improvement of key digital capabilities and creating a new engine for the development of intelligent bank; and enhancing IT and data capability, and further consolidating digital infrastructure. More recently, the Bank put into operation the digital coordinated office platform of "iMinsheng (i民生)" across the whole Group, effectively helping to enhance the office efficiency and the cultural change of the Bank and launched the innovative online product "Minsheng Benefits (民生惠)" credit loan products.

Internet finance

The Bank has implemented the strategy of "fintech-based bank", actively explored and applied cutting-edge fintech and upgraded its internet finance platform. Continuous innovations were made in the "three banking systems (三個銀行)", namely online banking, mobile banking and WeChat banking, and the "four platforms (四個平台)", namely bank-enterprise direct connection platform (銀企直聯平台), online payment platform, digital operation platform and open banking service platform (開放銀行服務平台), which greatly improved the services of internet finance. The Bank continued to expand its market share and brand influence and received 16 awards in 2022, including the "2022 Best Open Bank of Digital Finance (2022年數字金融最佳開放銀行獎)" by China Financial Certification Authority (CFCA) and cebnet.com.cn, the "Excellent Case in "Jinxintong" Fintech Innovation & Application Awards ("金信通"金融科技創新應用卓越案例獎)" by China Academy of Information and Communications Technology, and the "Top Ten Banks for Fintech Innovation (十佳金融科技創新獎)" at the "2022 China Financial Innovation Forum (2022中國金融創新論壇)" by The Chinese Banker.

The Bank expanded channels to offer green services, built "Minsheng small business App 3.0 (民生小微APP 3.0)," reconstructed the online platform of green financing services, and realised convenient digital acceptance on the mobile terminal. For the six months ended 30 June 2023, the registered users of Minsheng small business App exceeded 1.37 million.

The Bank upgraded the experience of online service channels. In terms of online retail services, the concept of "rich, smart, fast and safe" services was fully implemented. The Bank upgraded mobile banking services for the entrepreneur customer group, optimised elderly-friendly services, and continued to improve the service quality and efficiency of segmented customer groups. The Bank launched online products of current deposit management to meet customers' needs of liquid asset allocation. The Bank expanded the smart search scenarios and helped customers enhance their smart account management capabilities by focusing on the "three sheets" of balance sheet, statement of cash flows, and income statement. The Bank optimised the security strategy for mobile banking and strengthened the security service guarantee for core scenarios such as registration, login, transfer and payment. As at 30 June 2023, online retail platform users of the Bank amounted to 109,086 thousand, representing an increase of 5.31 per cent. as compared with the end of the previous year; the monthly active users of online retail platforms amounted to 26,275.7 thousand.

In terms of online corporate services, the service boundary was continuously expanded. The Bank realised full-process online processing of such businesses as corporate internet banking limit management, enterprise information update, account information update, and certificate validity renewal. As at 30 June 2023, online corporate platform users of the Bank amounted to 3,430.6 thousand, representing an increase of 4.67 per cent. as compared with the end of the previous year. As at 30 June 2023, there were 4,610 bank-enterprise direct connect customers, representing an increase of 11.14 per cent. as compared with the end of the previous year.

In terms of open bank, scenario-based services for win-win cooperation were created continuously. Relying on the product series of "Minsheng Cloud (民生雲)", the Bank provided "financial + non-financial" services in personnel management, financial management, expense control and management, network-based freight, agency bookkeeping and other scenarios. The Bank built two cloud wallet (雲錢包) product systems, namely Employee Wallet (員工錢包) and Eco-Wallet (生態錢包), and built standardised output capabilities for payroll agency, wealth management, loan and payment in retail scenarios.

In terms of three-dimensional service system, customer experience was constantly enhanced. The Bank continued to improve the "man-machine coordination" service capability. Relying on multidimensional data such as customer flow and business type, the Bank clarified the configuration standards for outlet equipment, optimised equipment functions, and expanded non-financial service scenarios. The Bank added account limit maintenance, dormant account activation and other online business scenarios to the "remote bank" to continuously elevate the substitution rate of counter business. The service breakpoint monitoring system proactively identified and assisted in addressing service interruptions and transaction anomalies of the operating equipment across the whole bank, significantly reducing customer complaints on the equipment side. As at 30 June 2023, the Bank officially put into operation a total of seven "intelligent bank experience stores", and their "warm" and intelligent services were highly recognised by customers.

Ecosystem finance

The Bank's supply chain finance ecosystem covered all customer groups. The Bank continued to innovate data-based credit enhancement products, launched the E-Procurement-Data-Based Credit Enhancement product for self-employed customer groups on the basis of E-Procurement-Data-Based Credit Enhancement product for legal persons, optimised data risk control models and credit evaluation systems, and formed a supply chain finance service system covering all customer groups, i.e. micro, small, medium, large and retail customers. For micro, small and medium export enterprises, the Bank launched the online credit product of E-Export Finance. The Bank reshaped the process of supply chain business, applied the online smart risk control model and index system of supply chain finance to offline credit approval operations and post-loan management, and added functions such as graded and layered push of risk signals and multi-channel information notification, in a bid to support the integrated development of all customer groups. The Bank optimised the process of cash guarantee-based low-risk business, realised smart customer access, automatic rating and model quota verification, and introduced the auxiliary review model for loan disbursement at the in-loan stage. The Bank empowered the digital transformation of MSMEs in the chains, launched the ecosystem service platform for MSMEs, built supporting systems for platform operation and marketing, integrated services such as personnel management, payroll and tax payment agency, financial management and smart bookkeeping, and provided digital services for enterprises integrating business, finance and fund. The Bank constantly increased its connection with platforms, completed the direct connection of Supply Chain Bills products with "CSCC (中企雲鏈)", "JDH (簡單匯)" and "SDHS (山東高速)" and other platforms, and cooperated with 11 new platforms for E-Credit Finance. During the six months ended 30 June 2023, the Bank optimised a total of 312 product functions for supply chain finance ecosystems, added nearly 50 risk early-warning signals, and significantly enhanced customer experience and risk monitoring capabilities.

The internet ecosystem-based loan products quickly duplicated standardised scenario models. In the cross-border scenarios including "International Station (國際站)" and "AliExpress (速賣通)", the Bank completed the standardised duplication of Alibaba's 1688 ecosystem loan scenario model. During the six months ended 30 June 2023, the Bank continuously optimised the functions of internet ecosystem-based loan products and risk control strategies, and the customer approval rate rose to 60 per cent.

Intelligent government affairs ecosystem was continuously embedded in financial and non-financial services. The Bank launched the small credit model for Government Procurement Fast Loan (政採快貸), which combined with the bid-winning data of the Government Procurement Cloud (政採雲) platform to provide online credit-based operation loans for MSEs that won the bid. The Bank became one of the first batch of acquiring and clearing banks for mobile payment of medical insurance in Beijing, and provided registration and outpatient payment services for customers via Alipay's mini program of "Beijingtoon (京通)".

Intelligent finance

The Bank strives to push the data-driven intelligent banking to a new level and elevate the digital intelligence level of operation and management in all aspects, in a bid to provide agile and efficient comprehensive services with the ultimate customer experience.

The Bank continued to build an intelligent marketing brain. The Bank constructed a closed-loop operation strategy system, and significantly enhanced its capabilities of real-time strategy deployment and customer group segmentation management. It developed strategies for corporate clients and added new functions such as personalised marketing pitches, batch and real-time events marketing. It built the strategy deployment capacity concerning legal person customers of small business, and supported marketing breakthroughs in proactive credit granting products such as "Minsheng Benefits" (legal persons and individuals). The Bank extensively deployed the strategy for basic retail customer groups and effectively expanded customer coverage.

The Bank constantly improved the smart risk control system, and the risk data was further improved. The Bank added 390 risk indicators and 3,700 risk tags, launched risk maps, connected with third-party data, and improved risk data mart to consolidate the foundation of risk data. The risk control models were smarter, and the Bank accurately identified customers through machine learning model. By combining with risk tags and risk indicators, the Bank effectively lowered the loss given default while improving the credit approval rate of online loans.

The Bank enhanced the quality and efficiency of digital operation. Centralised operation further released the first-line production capacity. The E-Procurement-Data-Based Credit Enhancement financing products completed comprehensive centralised operation, the centralised operation of E-Credit Finance and E-Bill Finance further improved both quality and efficiency, and the end-to-end operation service system of ecosystem finance business supported large-scale growth of online business.

Information Technology

The Bank's information technology, or IT, systems are integral to many aspects of its business operations, including customer service, transaction processing, risk management and financial management. The Bank believes that the establishment of advanced IT systems that complement its overall business strategies will greatly improve its efficiency and the quality of its customer service, as well as risk and financial management. The Bank has invested and continues to invest heavily in its IT systems. It has recruited global experts to work with in order to improve its IT systems and uses a wide variety of well-known brands in its IT systems.

The Bank has adopted a variety of security measures, including advanced firewall technologies, digital security certificates, intrusion detection systems and stringent internet security strategies to provide a high level of network security. In respect of IT risk management, the Bank further refined the management of the production system operations, and the production systems have been operating efficiently in a stable manner without major production or security incidents. The Bank has put great efforts into improving business continuity planning, and many branches have gradually established their own disaster recovery data centres in their local cities for business continuity.

Employees

As at 30 June 2023, the Group had 61,973 employees, of which 59,123 were employees of the Bank and 2,850 were employees of its subsidiaries. Amongst these employees of the Group, divided by work nature, 6,159 employees were categorised as the management, accounting for 9.9 per cent., 52,964 employees as the professional team, accounting for 85.5 per cent. The Bank had 12,505 employees with graduate degree or above, accounting for 21.2 per cent. of the total number of employees, 43,289 employees with bachelor's degree, accounting for 73.2 per cent., and 3,329 employees with tertiary qualification or below, accounting for 5.6 per cent., 960 employees of the Bank have retired.

Trademarks

The Bank conducts its business under the names "China Minsheng Bank" and "民生銀行". Its bank logo has been registered in the PRC with the Trademark Office of the State Administration for Industry and Commerce, and it has also registered trademarks with its name and logo in other countries and regions. The Bank is the registered owner of the domain name of its website www.cmbc.com.cn.

Legal and Regulatory Proceedings

As at the date of this Offering Circular, the Bank and other members of the Group are not involved in any litigation, arbitration, administrative proceedings or claims, whether pending or threatened, which have or may have a material adverse effect on the financial condition or results of operations of the Group or which are otherwise material in the context of this Programme.

Recent Developments

Financial results for the nine months ended 30 September 2023

On 30 October 2023, the Bank published the unaudited and unreviewed results of the Bank and its subsidiaries as at and for the nine months ended 30 September 2023 (the "**2023 Third Quarterly Financials**"), which were prepared in accordance with PRC GAAP. The Group has not prepared the 2023 Third Quarterly Financials in accordance with IFRS issued by the International Accounting Standards Board. PRC GAAP may differ in certain material respects from IFRS. Other than what is expressly disclosed herein, the 2023 Third Quarterly Financials and the 2023 third quarterly report published by the Bank on 30 October 2023 are not incorporated by reference in this Offering Circular and shall not form part of this Offering Circular.

For the nine months ended 30 September 2023, the Group actively served national strategies, conscientiously implemented the decisions and arrangements of the NAFR, strengthened confidence and strove to fully implement the new development concept, pushed forward various reforms with greater efforts, and promoted the high-quality development of the Group with innovation. The Bank pursued the main operating target of "grasping opportunities, promoting development, preventing risks and increasing revenues", continued to deepen the restructuring of assets and liabilities, comprehensively strengthened internal risk control and management, sped up the promotion of digital transformation, accelerated the optimisation of key processes, and continued to consolidate the basic products and services, so as to effectively enhance the ability to create value for customers.

RISK MANAGEMENT

Overview

The Bank has always been committed to adhered to the concept that "internal risk control is the core competitiveness", and in accordance with the general strategy of "implementing strategies, guarding against risks, supporting development, seeking progress in stability, and seeking better development in progress", the Bank constantly consolidated the development of internal risk control system featuring "four beams and eight pillars", sped up the digital transformation of risk management, and continuously improved the risk management of all categories, all businesses, all processes, all subsidiaries and all employees, thereby ensuring the steady asset quality and continuously improved risk capability, when proactively following the road of steady and sustainable development. As at 30 June 2023, the Bank basically completed the development of main project of smart risk control, upgraded from the traditional mode of "manual prevention" to the mode of "technological prevention" in credit approval, risk control of small business, post-loan early-warning, asset preservation, and other major business areas and gradually shifted to "smart" risk management. Among them, the Bank put into operation the smart decision-making system for proactive small business credit granting, and by centring on the double players of "legal person + individuals", it fully used the four types of data, namely authoritative data of the PRC government, transaction data, scenario-based data and its own data to reshape the risk control logic for smart decision-making, and develop the smart decision-making foundation of small business. As a result, with full data access, panoramic display, fully automatic decision-making and full-process design of projects, the Bank has made new breakthroughs in digital customer acquisition.

Credit Risk Management

The Bank's credit risk refers to the risk that a borrower or a counterparty fails to make repayments in a timely manner in full amount for whatever reasons. A platform consisting of risk strategies, credit policies, portfolio management, risk measurement tools and information system support has been established by the Bank to control risks and support the steady development of businesses. The credit risk management system covers the whole process including pre-approval investigation, approval review, and post-loan management. Credit risks of loans extension and non-credit business are also strictly controlled.

The Bank continued to adjust and optimise the credit structure. Firstly, according to the overall strategy of the year, the Bank constantly optimised its credit policy system, increased support for key fields and key customer groups, and strove to facilitate high-quality development. Secondly, the Bank continuously intensified policy support in major fields, such as inclusive finance, green and low-carbon development, rural revitalisation, sci-tech innovation, major infrastructure construction, manufacturing industry, loans to SMEs and supply chain finance. Thirdly, the Bank enhanced support for mid- to long-term loans to the manufacturing industry, supported the transition and upgrading of strategic emerging manufacturing industry and traditional manufacturing industry, and drove the stable development of green finance. The Bank continuously implemented the development strategy for the four major regions including Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area, and the Chengdu-Chongqing economic zone, focused on key points, and worked to keep pace with high-quality economic development of the regions. The Bank continuously optimised regional credit policies, proactively guided operating units in developing regional key projects and serving the real economy, and promoted credit placement in major regions. Fourthly, the Bank continuously advanced inclusive finance strategy, gained effects in the "integrated" credit management mode of inclusive business, achieving stable growth in the size of inclusive finance business and number of customers.

The Bank released the effectiveness of credit approval system reform. Since the reform of the credit approval system for legal person customers, the Bank has constantly deepened and consolidated the achievements of reform, adhered to the bottom line of risk compliance, focused on the development of key fields, and served the execution of the Bank's strategies, so as to steadily improve the quality and efficiency of credit approval. Firstly, the Bank clarified the credit approval strategy of the Group featuring "relaxing total quantity control and optimising structure (寬總量、優結構)" for high-quality customers of the Group, coordinated with the front-line staff to serve customers, and supported the development of key fields. Secondly, the Bank continuously improved the credit approval mechanism, proactively investigated and re-examined key projects and strategic customer groups, and solidly promoted the post-approval evaluation management mechanism. The Bank steadily promoted the execution and popularisation of new small business credit approval system and mechanism, established full-time credit officer teams for small business, and performed "one-time approval (一次審批)" to improve the approval efficiency of basic customers. Thirdly, the Bank optimised credit approval procedures and standards, and integrated the template of due diligence report, further improving the precise and standardised management of credit approval process. Fourthly, the Bank pushed forward the establishment of smart review and approval platform, released the digital template of credit survey report of financial institution customers, and continuously optimised the experience of smart due diligence. Among them, by updating the smart review items in the system, the Bank has delivered the automatic review mode to the main accountable persons for operation.

The Bank strengthened risk prevention and control in key fields. Firstly, the Bank strictly implemented national laws, regulations and regulatory policies on local debt management and financing platforms, and enhanced new access management and existing business monitoring in accordance with the general principle of "complying with laws and regulations, controlling total quantity, selecting preferred regions and making structural adjustment (合法合規、總量控制、優選區域、結構調整)". By improving compliant management requirements, the Bank elevated the access standard for low-level and high-risk areas, enhanced business structure adjustment, improved regional limit control, strengthened the full-process management mechanism of hidden debt business, and comprehensively tightened risk management in the field of government credit. Secondly, the Bank carefully followed the national policy orientation in the field of real estate, strictly implemented the regulatory requirements of "16 financial measures", dynamically improved its real estate credit policies, continuously optimised customer structure, and mainly supported the housing projects that meet ordinary rigid demands and improvement needs. The Bank practised city access management of real estate and namelist-based management of real estate corporate clients, hence effectively elevating the proportion of assets of high-quality customers. On the premise of marketisation and legalisation, the Bank proactively defused the financial risks of existing real estate projects by adopting various measures, such as reasonable term extension, M&A loans, supporting financing of special loans for ensuring housing project delivery.

The Bank continued to enhance post-loan management capability. Firstly, the Bank comprehensively implemented optimisation plans for post-loan and post-investment management system, and built a three-level management structure involving "execution, management and supervision", among which, the first line of defense effectively undertook the management responsibility of organisation and implementation, and the second line of defense took charge of improving layered and classified management, and intensifying supervision and inspection. The Bank also completed the launch of supporting system functions, and realised the online operation of key tasks and process of the first line of defense. Secondly, the Bank enhanced post- loan early-warning and risk management of key fields, solidly advanced the monitoring of key customers, deeply conducted the investigation and early-warning of key fields, and practically enhanced early-warning and control of key institutions. For customers with potential risks and problems, the Bank implemented concentrated risk diagnosis and optimised customer structure via the active risk exit mechanism, thus guarding against and defusing potential credit risk in advance. Thirdly, the Bank optimised post-loan examination mode of supply chain scenario, evidently elevated the automation rate of post-loan examination, and effectively improved the post-loan examination quality and the completion efficiency.

The Bank upgraded the construction of risk control system. Firstly, the Bank put into operation the automatic rating process for low-risk business, applied and promoted new application scoring model for micro, small and individual customers, and completed the iteration and optimisation of automatic rating model of sci-tech enterprises. Secondly, the Bank optimised the monitoring and early-warning system, expanded information sources, and released the three functions of "risk signal, early-warning model and differentiated process" for the smart monitoring and early-warning platform project of corporate business. The Bank sped up the establishment of smart collaterals and pledges system. Thirdly, the Bank carried out "EAST data quality improvement" and data governance of key business fields, and constantly improved the capability in credit risk data management. It optimised the functions of the credit reference system, standardised the data use, and improved the work efficiency.

The Bank continuously strengthened the collection and disposal of non-performing assets. Firstly, the Bank remained problem-oriented, further optimised the asset preservation and management mechanism, and continuously improved the management that closely linked with task orientation, monitoring and analysis, and coordinated supervision. It improved the performance evaluation with clear appraisal requirements and effective constraint, comprehensively elevating the management effectiveness of collection and disposal. Secondly, the Bank focused on key points, improved the layered, classified and comprehensive application of policies for non-performing assets, and worked to improve the professional competence in handling and defusing risks in key fields. Thirdly, the Bank focused on loss improvement, proactively fulfilled the concept of operating non-performing assets, and continuously enhanced the cash collection of non-performing assets, further reducing resource consumption in collection and disposal. Fourthly, the Bank stepped up efforts to collect written-off assets. For the six months ended 30 June 2023, the cash collection of written-off assets of the Bank grew by 32.48 per cent. as compared with that for the corresponding period of the previous year, further elevating the value contribution of collection and disposal. Fifthly, the Bank enhanced coordinated disposal, advanced coordinated management of collection and disposal at the Group level, promoted the coordination and synchronisation between disposal of non-performing assets and mitigation of assets with potential risks, and improved the capabilities of subsidiaries in coordinated disposal.

As at 30 June 2023, total NPLs and the NPL ratio of the Bank decreased as compared with that as at 30 June 2022, realising "double decreases" for three quarters in succession, and the asset quality maintained the tendency of getting better in stability.

Large-Amount Exposure

According to the provisions of the Administrative Measures on Large-amount Exposures of Commercial Banks (Yin Bao Jian Hui 2018 No. 1 Order (《商業銀行大額風險暴露管理辦法》(銀保監會2018年1號令)), the large- amount exposure refers to the credit risk exposure of a commercial bank exceeding 2.5 per cent. of its net tier-1 capital (including various kinds of credit risk exposures arising in the banking book and the trading book) to a single customer or a group of connected customers.

The Bank proactively established and improved the management mechanism for large-amount exposures, improved management rules, developed management systems, clarified large-amount exposure management limits in annual risk preference, and orderly implemented the measurement, monitoring and reporting of large-amount exposures, thus ensuring the compliance and effectiveness of management.

As at 30 June 2023, except for customers exempted by the regulators, the non-peer single customers, non-peer group customers, peer single customers, and peer group customers of the Bank meeting large-amount exposure standards all satisfied the regulatory requirements.

Market Risk Management

The Bank's market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. With compliance requirements as the bottom line and combining the development plan and management strategies for investment trading businesses, the Bank continuously improved the market risk management system, conducted market risk monitoring, and continued to improve its market risk management capabilities in terms of risk preference and limit transmission, data governance and system development, risk measurement and valuation management, product access and evaluation control, etc.

For the six months ended 30 June 2023, the Bank conducted the identification, measurement, monitoring and reporting of market risks in an orderly manner, all policies and procedures for market risks operated well, the occupation of market risk capital was generally stable, and the investment trading businesses witnessed steady and sustainable profitability. Meanwhile, the Bank, on the premise of meeting regulatory requirements, continuously improved the synergy, consistency, refinement, and visualisation of market risk management and control through implementing the project for upgrading the comprehensive market risk management platform. Firstly, the Bank carried out daily limit monitoring of market risks, formulated and issued the annual market risk limit plan of the Group, and optimised the setting of some limits. Additionally, it continuously monitored the implementation of such limits, and made risk warnings in a timely manner based on management needs. Secondly, the Bank constantly improved product access management, and organised and completed the review of access to multiple investment trading products, ensuring that the Bank had appropriate management and control capacity in all risks and full-process of each investment trading product recorded in the banking book and the trading book of the Bank. Thirdly, to facilitate the connection and implementation of the measurement of market risk capital set out in the new capital management measures, the Bank conducted differential analysis and calculation on the part related to the measurement of market risks and counterparty's credit risks as stipulated in the Measures for the Capital Management of Commercial Banks (Exposure Draft) (《商業銀行資本管理辦法(徵求意見稿)》), and continued to revise and formulate relevant rules for capital measurement according to the new regulations on capital management. Fourthly, the Bank promoted the innovation of risk management mechanism for complex derivatives, connected the processes of front, middle and back offices concerning binary options of foreign exchange, and consistently optimised and perfected the smart early-warning management platform for financial market risks. Fifthly, the Bank further enhanced risk data governance, and optimised the comparison mechanism for valuation data and profit and loss data in the middle and back offices, so as to realise consistency between the underlying management units of the investment portfolio and investment trading strategies, and guide the reasonable allocation of market risk capital.

Operational Risk Management

The Bank's operational risk refers to the risk of loss due to deficient or flawed internal procedures, personnel and IT system or external events. The major operational risk of the Bank comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets, interruption of business, paralysis of IT system and management of execution, transfer and processes. The Bank proactively guarded against and responded to various operational risks through full identification, continuous monitoring, and examination and evaluation, and controlled the loss ratio of operational risks within the risk limit set by the Board.

For the six months ended 30 June 2023, under the guidance of the Basel III accord, the Bank actively explored advanced modes for operational risk management and measurement, strengthened data governance, developed measurement models, and met the new requirements for capital measurement ahead of schedule. Taking this as an opportunity, the Bank continuously improved the operational risk management mechanism. Firstly, the Bank comprehensively optimised the basic tools for operational risk management, and formed the list of 168 targets at four levels of classified management covering the core businesses and management procedures of the Bank. The Bank built the standardised key indicator system for operational risks of different levels, established a high-quality database for operational risk-related losses, and upgraded the new management system for operational risks. Secondly, the Bank further strengthened the management of IT risks, rebuilt the second line of defense of the IT risk monitoring mechanism, and promoted automatic collection of monitoring indicators. Thirdly, the Bank organised and implemented a new mechanism for outsourcing risk management and control, and supervised the compliant operation of outsourcing projects of the Bank. Fourthly, the Bank consistently reinforced the development of business continuity management system, and organised and implemented comprehensive drills on business continuity to constantly enhance its capability of responding to operation discontinuity events.

Liquidity Risk Management

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

For the six months ended 30 June 2023, the Bank strictly held the bottom line of liquidity risks, adhered to prudent liquidity risk preference, closely monitored the changes in domestic and international macro economy, currency and regulatory policies, market liquidity and price level, proactively judged and predicted future trends, and enhanced the monitoring frequency and preciseness. The Bank continued to improve the active management capability, maintained the monitoring indicators of liquidity risks in a good and compliant status, and achieved a safe and controllable status of daytime liquidity risks. Firstly, the Bank optimised the Group's consolidated management system for liquidity risks, enhanced the development of institutional system, and effectively reinforced the overall management of liquidity risks of the Group. Secondly, the Bank strengthened the management of limit and the monitoring of liquidity risks, and improved the risk monitoring and limit management system based on the risk factors, such as asset-liability maturity mismatch, liability structure stability, high-quality liquidity assets, cash flow gap distribution, and customer and industry concentration degree, thus effectively managing liquidity risk points. Thirdly, the Bank optimised the asset-liability structure, guided the increase of the proportion of core liabilities, strictly managed and controlled the maturity structure of interbank liabilities, and intensified efforts in high-quality current assets reserve and use management. Fourthly, the Bank further enhanced the management of early-warning of liquidity risks, upgraded the stress test system of liquidity risks, comprehensively improved the stress test scenarios and scenario assumption conditions, used systematic tools to elevate the frequency and efficiency of stress tests, regularly conducted emergency drills for liquidity risks, and improved its capability in risk identification and emergency response. Fifthly, the Bank strengthened system construction, improved risk measurement, analysis, prediction and early-warning functions, optimised and perfected the risk monitoring statement system.

Country Risk Management

The Bank's country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to the Bank, or the Bank suffering from commercial or asset losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region. In strict accordance with the regulatory requirements, the Bank integrates country risk management into the comprehensive risk management system.

For the six months ended 30 June 2023, the Bank continued to strengthen risk monitoring and risk investigation mechanisms according to the new circumstances of country risk management and based on regulatory requirements, country risk management objectives, size of country risk exposures and business complexity. The Bank formulated a new contingency plan for country risks, optimised the management and control of country risk limits, reinforced the establishment of systematic tools, and strengthened refined management. In addition, it calculated in full amount the allowance for impairment losses of country risks, and continuously enhanced its capabilities of preventing and controlling country risks. So far, the limits of country risk exposures of the Bank have been implemented well, the country risk exposures were mainly distributed in countries with "low" and "relatively low" country risk ratings, and the country risks were maintained at a good and stable level.

Management of Interest Rate Risk in Banking Book

The Bank's interest rate risk in banking book refers to the adverse changes in the level of interest rate, maturity structure and other factors which lead to loss on the economic value and overall revenue of banking book, primarily including gap risk, benchmark risk and option risk.

For the six months ended 30 June 2023, the Bank optimised and improved the governance and management system of interest rate risk in banking book, proactively adjusted asset-liability structure, strictly managed and controlled the mismatch level of asset and liability repricing, and strengthened the interest rate sensitivity analysis and stress tests, in a bid to ensure the steady operation of regulatory indicators and internal management indicators of interest rate risk in banking book. Firstly, the Bank optimised the Group's consolidated management system of interest rate risk in banking book, effectively strengthening the coordinated management of interest rate risk in banking book of the Group. Secondly, the Bank enhanced the identification, measurement, monitoring and control system for interest rate risk in banking book, comprehensively adopted repricing gap analysis, duration analysis, sensitivity analysis, stress test and other methods to analyse and monitor risks, closely followed changes in internal and external market environment as well as internal business structure, enhanced forward-looking judgment, and adjusted asset-liability structure and term management strategies in a dynamic manner, so as to ensure the steady operation of indicators of interest rate risk in banking book. Thirdly, the Bank improved the limit system, appraisal and supervision and early-warning and reminder of interest rate risk in banking book, practised strict and effective management in terms of repricing gap, maturity mismatch, duration, investment business account and valuation fluctuation, etc., so as to ensure that all risk factors were kept at a prudent and healthy level. Fourthly, the Bank enhanced the early-warning management of interest rate risk in banking book, further enriched and perfected scenario-based assumption and parameter setting for stress tests, used systematic tools to elevate the frequency of stress tests, and improved its capability in risk identification and emergency response. Fifthly, the Bank optimised the functions of the asset-liability risk management system, improved management models and data governance, and enhanced its capability in risk data analysis, early-warning and mining.

Reputation Risk Management

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

For the six months ended 30 June 2023, the Bank implemented external regulatory requirements and internal management requirements in an all-round manner. Firstly, the Bank assessed the potential threats of contagion among risks in a timely manner within the purview of comprehensive risk management, pre-judged public opinion trends, deployed special monitoring, and formulated plans in advance. Secondly, the Bank took the initiative to deal with and resolve reputation events and potential hazards, so as to guarantee proactive and effective prevention, and to minimise the loss and negative impact caused to the public. Thirdly, the Bank continuously spread positive voices and enhanced corporate reputation through multiple channels, creating a favourable public opinion environment for the operation and development of the Bank.

IT Risk Management

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

For the six months ended 30 June 2023, the Bank comprehensively promoted digital transformation and development, and continued to perfect the IT risk management system and improve IT risk management level. Firstly, the Bank issued the three-year development plan on IT and the data strategy to specify the objectives, major tasks and implementation paths of IT work of the Bank, as well as the strategic vision, development objectives and key measures for data work in the next three years, providing clear guidance for the Bank to build up its IT capability, data capability and IT risk management capability. Secondly, the Bank carried out the activity of "IT and Operational Risk Management Year (信息科技操作風險管理年)" to consolidate all staff's consciousness of IT risk bottom-line, and enhance IT risk management capability. Thirdly, the Bank continuously pushed forward digital transformation and empowerment, and strengthened the assessment of operational risks of technical framework and the system optimisation. Fourthly, the Bank safeguarded the stable operation of production system, improved the processes of event handling and system change management, regularly conducted drills on real-time switch of important systems, and built an intelligent and reliable operation and maintenance system, thus enhancing controllability of security. Fifthly, the Bank continued to improve the establishment of information security and compliance management system, and strove to strengthen the full-life cycle management and control of data security and network security.

Legal Risk Management

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

For the six months ended 30 June 2023, the Bank deeply implemented the decisions and arrangements on rule of law and the regulatory requirements for promoting rule of financial law, introduced guiding opinions on rule of law, and organised demonstration activities on rule of law. Furthermore, it strengthened the basic development of law-abiding operation and management and the full-process management and control of legal risks, and improved the legal risk management framework system. Firstly, the Bank strengthened the basic development of legal risk management. It followed and supervised the implementation of the Civil Code (《民法典》), the Personal Information Protection Law (《個人信息保護法》), the Civil Procedure Law (《民事訴訟法》) and other laws and regulations, studied on legal risks that might be encountered by banks and the countermeasures, advanced the legalised development of business systems, and continuously optimised business systems and processes, thus further consolidating the foundation of legal risk management. Secondly, the Bank strengthened the full-process management and control of legal risks. The Bank released guidelines on early-warning in a timely manner to strengthen forward-looking prevention of legal risks. The Bank strictly implemented full-coverage legal review to enhance control over legal access of crucial links. Moreover, it organised assessment of legal risks of key businesses and supervision of rectification to further reinforce the full-process and closed-loop management of legal risks. Thirdly, the Bank strengthened the handling of lawsuit cases and the prevention and control of risks. The Bank perfected the diversified resolution mechanism of financial disputes, intensified efforts in dealing with litigation cases, vigorously conducted source tracing and rectification of litigation risks, and strengthened the conclusion of existing cases and the risk prevention and control of new cases, effectively managing and controlling litigation case risks. Fourthly, the Bank thoroughly carried out the "8th Five Year" law popularisation activity. Internally, it held training on the latest civil and commercial legislative and judicial rules and the prevention and control skills of legal risks. Externally, it organised legal publicity and education events concerning financial consumer rights protection, anti-illegal fund raising, and telecommunication fraud prevention, so as to enhance all staff's consciousness and ability of rule of law, and boost the law-abiding image as a financial brand. Fifthly, the Bank carried out regular operations to eradicate gang-related crimes. The Bank organised special governance in key areas, improved the rules for eradicating gang-related crimes, and conducted regular assessment and rectification. Holding on to the prevention, early identification, substantial rectification and long-lasting supervision of problems, the Bank kept a tough stance on eradicating gang-related crimes.

Compliance Risk Management

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

For the six months ended 30 June 2023, the Bank strove to push forward the "systematic, standardised, refined, integrated and digital" development, further consolidated the philosophy and the model of compliant operation, and built a strong "firewall" of internal control and compliance, pushing the quality and effectiveness of management to a higher level. Firstly, the Bank actively practised the requirements of regulatory policies. The Bank regularly conducted comprehensive policy analysis, and promptly circulated key points of regulatory policies. It reported regulatory punishments on a quarterly basis, and urged operating units to make timely rectification and carry out compliant operations. Secondly, the Bank optimised and improved the compliance management system. The Bank strengthened the formulation of duty performance standards, and mapped out guidelines on duty performance in internal control and compliance management. Additionally, it made annual plans on system construction, and promoted clean-up and optimisation of systems. It revised the administrative measures on due diligence and accountability exemption, unveiled detailed implementation rules for business lines, and circulated notices on typical cases of due diligence and accountability exemption. Thirdly, the Bank strictly prevented and controlled illegal behaviours. A special campaign against illegal loan intermediaries was conducted within the Group. The Bank advanced grid-based management, and basically included all employees into the grids. It also revised the administrative measures on criminal cases. Fourthly, the Bank pushed ahead with digital transformation of compliance. The Bank promoted the labeling of compliance issues, and accelerated the establishment of the system of litigation and lawsuit cases-related information. It deeply conducted special governance of equity and related-party transaction data, and propelled data sharing between the related-party transaction management system and the business system. Fifthly, the integrated management of the Group was deepened. The Bank launched the management modules for compliance issues of subsidiaries, developed the functions of behaviour monitoring on employees of subsidiaries, carried out training on related-party transactions in rural banks, and implemented on-site compliance inspections in rural banks.

Money Laundering Risk Management

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

For the six months ended 30 June 2023, the Bank actively improved the internal control mechanism for anti-money laundering (AML), strengthened the management of assessment and inspection of money laundering risks, and conducted monitoring and analysis as well as prevention and control of money laundering risks, promoting the transformation of the Bank's AML work from compliance to effectiveness. The AML lines and individuals of the Head Office and branches received commendations for many times from the state organs for their assistance in combating money laundering crimes and their outstanding professional AML ability. Firstly, the Bank carried out special work for improving the capability of frontline staff in AML service, vigorously advanced five major categories of prioritised tasks of standard unification, process optimisation, system improvement, expertise enhancement and culture building, and introduced measures to reduce burden and increase efficiency of AML. Secondly, the Bank sped up digital and smart development of AML, launched a new-generation smart AML management and monitoring system and carried out synchronised iterative development of phase-II, and elevated the substitution rate of core AML obligation performance system. Additionally, the Bank rolled out and promoted the platform for individual/corporate customer due diligence, and upgraded tools to enable the frontline staff to efficiently conduct customer due diligence. The Bank also proactively pushed forward the development of online functions in terms of product assessment as well as assessment and inspection of money laundering risks of operating units, conducted research and developed distinctive suspicious transaction monitoring models, rebuilt integral method indicators for rating of money laundering risks of customers, and optimised the standards for money laundering risk monitoring of employee accounts, so as to continuously improve the digital and smart level of AML. Thirdly, the Bank improved the efficiency of the "double pillars" of assessment and inspection. The Bank promoted the application of self-assessment results of money laundering risks of operating units, implemented refined management throughout the process from money laundering risk assessment of products to rectification and optimisation, and carried out "full-coverage on-site + off-site" inspections. Fourthly, the Bank intensified the monitoring and analysis of suspicious transactions. The Bank launched special work for improving the quality and effectiveness of money laundering risk monitoring, and introduced the lecture activity of "Agile Learning Initiative (敏學行動)" once in a week in AML lines, constantly enabling operating units to enhance the quality and effectiveness of money laundering risk monitoring. The Bank set up the platform for money laundering risk monitoring and supervision, and guided operating units to reduce the number of customers with high money laundering risks, and to continuously optimise their customer group structure. The Bank unveiled guiding opinions on the prevention of tax-related money laundering risks, providing professional support for operating units to judge tax-related money laundering risks. It deepened the application of gang crime monitoring models to consistently increase the quantity and quality of reports on suspicious transactions regarding high-value gang cases of the Bank. Fifthly, the Bank proactively carried out the publicity and education on AML culture. The Bank built special learning sections for AML "1+N" series of courses, and held multiple sessions of special training on AML at the primary-level institutions.

ASSETS AND LIABILITIES

The following discussions and analysis should be read in conjunction with the Group's audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022, and the Group's unaudited but reviewed condensed consolidated interim financial statements as at and for the six months ended 30 June 2023, included elsewhere in this Offering Circular. Such consolidated financial statements have been prepared in accordance with IFRS.

Assets

As at 30 June 2023, the Group's total assets amounted to RMB7,641.5 billion.

Analysis of Loans and Advances to Customers

Loans and advances to customers are the largest component of total assets. The Group provides a broad range of loan products to customers through its branch network, the great majority of which are denominated in Renminbi.

The following table sets out an analysis of the Group's loans and advances to customers as at the dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023 (Unaudited)**
	(in millions of Renminbi, except percentages)			
Measured at amortised cost:				
Corporate loans and advances				
– Corporate loans	2,023,823	2,017,910	2,144,501	2,344,032
– Discounted bills	–	–	–	–
Subtotal	2,023,823	2,017,910	2,144,501	2,344,032
Personal loans and advances				
– Micro lending	511,365	577,327	621,598	658,984
– Residential mortgage	515,296	595,468	573,274	560,622
– Credit cards	462,309	472,077	462,788	453,285
– Others	107,671	96,459	84,208	82,072
Gross balance	1,596,641	1,741,331	1,741,868	1,754,963
Less: allowance for impairment Losses	(96,542)	(103,806)	(97,639)	(100,276)
Subtotal	3,523,922	3,655,435	3,788,730	3,998,719
Measured at fair value through other comprehensive income:				
Corporate loans and advances				
– Corporate loans	5,608	5,577	8,717	5,320
– Discounted bills	227,859	280,874	246,058	286,627
Subtotal	233,467	286,451	254,775	291,947
Interest accrued	24,908	25,793	29,477	31,601
Net balance	3,782,297	3,967,679	4,072,982	4,322,267

As at 31 December 2020, 2021 and 2022 and 30 June 2023, net balance of the Group's loans and advances to customers amounted to RMB3,782.3 billion, RMB3,967.7 billion, RMB4,073.0 billion and RMB4,322.3 billion respectively.

Loans and Advances to Customers by Industry

The following table sets out an analysis of the Group's loans and advances to customers by industry as at the dates indicated:

	As at 31 December						As at 30 June	
	2020		2021		2022		2023	
	Amount	per cent.	Amount	per cent.	Amount	per cent.	Amount (Unaudited)	per cent.
	(in millions of Renminbi, except percentages)							
Corporate loans and advances								
Leasing and commercial services	486,805	12.63	514,854	12.73	523,343	12.64	566,633	12.90
Manufacturing	302,273	7.84	348,542	8.62	396,308	9.57	456,968	10.41
Real estate	439,100	11.39	360,302	8.91	363,344	8.77	381,821	8.70
Wholesale and retail	175,621	4.56	259,230	6.41	263,607	6.37	289,191	6.59
Water, environment and public utilities management	149,583	3.88	160,746	3.97	167,684	4.05	181,155	4.13
Transportation, storage and postal services	107,754	2.80	127,181	3.14	154,492	3.73	168,599	3.84
Financial services	204,646	5.31	117,470	2.90	115,764	2.79	154,731	3.52
Production and supply of electric power, heat, gas and water	69,380	1.80	86,436	2.14	103,403	2.50	117,620	2.68
Construction	109,693	2.85	112,875	2.79	109,689	2.65	115,125	2.62
Mining	104,342	2.71	88,396	2.18	72,705	1.76	72,560	1.65
Information transmission, software and information technology services	30,101	0.78	44,566	1.10	41,727	1.01	40,622	0.93
Agriculture, forestry, animal husbandry and fishery	12,807	0.33	20,221	0.50	20,420	0.49	20,561	0.47
Accommodation and catering	16,127	0.42	13,891	0.34	17,578	0.42	16,727	0.38
Others	49,058	1.27	49,651	1.23	49,212	1.19	53,666	1.21
Subtotal	2,257,290	58.57	2,304,361	56.96	2,399,276	57.94	2,635,979	60.03
Personal loans and advances	**1,596,641**	**41.43**	**1,741,331**	**43.04**	**1,741,868**	**42.06**	**1,754,963**	**39.97**
Total	**3,853,931**	**100.00**	**4,045,692**	**100.00**	**4,141,144**	**100.00**	**4,390,942**	**100.00**

The Group's corporate loans and advances to customers cover a broad range of industries. Loans and advances to customers in the leasing and commercial services, real estate, manufacturing, wholesale and retail and water, environment and public utilities management represent the major components of the Group's total loans and advances for the six months ended 30 June 2023. As at 30 June 2023, loans and advances in these sectors accounted for 42.73 per cent. of the Group's total loans and advances and 71.16 per cent. of the Group's corporate loans and advances.

Loans and Advances to Customers by Geographical Area

The following table sets out an analysis of the Group's loans and advances to customers by geographical area:

	As at 31 December				As at 30 June	
	2021		2022		2023	
	Amount	per cent.	Amount	per cent.	Amount (Unaudited)	per cent.
	(in millions of Renminbi, except percentages)					
Head Office	506,340	12.52	488,895	11.81	469,807	10.70
Yangtze River Delta	1,004,449	24.83	1,045,578	25.25	1,149,963	26.19
Pearl River Delta	586,214	14.49	630,013	15.21	701,551	15.98
Bohai Rim	630,297	15.58	644,316	15.56	678,041	15.44
Northeastern Region	97,272	2.40	97,380	2.35	102,911	2.34
Central Region	508,645	12.57	497,398	12.01	516,484	11.76
Western Region	616,229	15.23	630,687	15.23	659,976	15.03
Overseas and subsidiaries .	96,246	2.38	106,877	2.58	112,209	2.56
Total	**4,045,692**	**100.00**	**4,141,144**	**100.00**	**4,390,942**	**100.00**

Loans and advances to customers are relatively concentrated in the Group's operations in Yangtze River Delta, where economic development is relatively mature and advanced.

Distribution of Loans by Loan Classification

The following table sets out an analysis of the Group's loans to customers in each of the five categories of loan classification.

	As at 31 December						As at 30 June	
	2020		2021		2022		2023	
	Amount	per cent.	Amount	per cent.	Amount	per cent.	Amount (Unaudited)	per cent.
	(in millions of Renminbi, except percentages)							
Performing loans	3,783,882	98.18	3,973,354	98.21	4,071,757	98.32	4,321,939	98.43
Of which: Pass	3,669,206	95.20	3,858,057	95.36	3,952,037	95.43	4,204,444	95.75
Special-mentioned	114,676	2.98	115,297	2.85	119,720	2.89	117,495	2.68
Non-performing loans	70,049	1.82	72,338	1.79	69,387	1.68	69,003	1.57
Of which: Substandard . . .	25,023	0.65	24,198	0.60	27,729	0.67	26,519	0.60
Doubtful	24,477	0.64	26,043	0.64	23,107	0.56	23,464	0.54
Loss	20,549	0.53	22,097	0.55	18,551	0.45	19,020	0.43
Total	**3,853,931**	**100.00**	**4,045,692**	**100.00**	**4,141,144**	**100.00**	**4,390,942**	**100.00**

In accordance with the CBRC's Guidelines for Risk Classification(《貸款風險分類指引》), the Group classifies its credit assets into five categories, namely pass, special-mention, substandard, doubtful and loss, of which the last three categories are non-performing loans.

Liabilities

The following table sets out an analysis of the Group's liabilities as at the dates indicated:

	As at 31 December						As at 30 June	
	2020		2021		2022		2023	
	Amount	per cent.	Amount	per cent.	Amount	per cent.	Amount (Unaudited)	per cent.
	(in millions of Renminbi, except percentages)							
Deposits from customers	3,768,151	58.79	3,825,693	60.09	4,051,592	60.99	4,300,243	61.30
Of which: total deposits from customers (excluding accrued interests)	3,728,174	58.17	3,775,761	59.31	3,993,527	60.12	4,241,461	60.46
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,135,039	17.71	1,330,843	20.91	1,583,181	23.83	1,664,355	23.73
Debt securities issued	957,880	14.95	711,024	11.17	648,107	9.76	628,199	8.96
Borrowings from the central bank and other financial institutions	423,370	6.61	394,248	6.19	250,030	3.76	289,719	4.13
Others	124,545	1.94	104,439	1.64	109,949	1.66	132,244	1.88
Total	**6,408,985**	**100.00**	**6,366,247**	**100.00**	**6,642,859**	**100.00**	**7,014,760**	**100.00**

Deposits from Customers

The following table sets out an analysis of the Group's deposits from customers:

	As at 31 December						As at 30 June	
	2020		2021		2022		2023	
	Amount	per cent.	Amount	per cent.	Amount	per cent.	Amount (Unaudited)	per cent.
	(in millions of Renminbi, except percentages)							
Corporate deposits	2,961,617	79.44	2,944,013	77.97	2,966,375	74.28	3,042,078	71.72
Of which: Demand deposits	1,287,743	34.54	1,215,239	32.19	1,014,133	25.39	1,091,365	25.73
Time deposits	1,673,874	44.90	1,728,774	45.78	1,952,242	48.89	1,950,713	45.99
Personal deposits	758,712	20.35	825,423	21.86	1,020,544	25.55	1,189,544	28.05
Of which: Demand deposits	243,780	6.54	248,459	6.58	289,671	7.25	322,802	7.61
Time deposits	514,932	13.81	576,964	15.28	730,873	18.30	866,742	20.44
Certificates of deposit	2,929	0.08	3,365	0.09	4,159	0.10	8,366	0.20
Outward remittance and remittance payables	4,916	0.13	2,960	0.08	2,449	0.07	1,473	0.03
Total	**3,728,174**	**100.00**	**3,775,761**	**100.00**	**3,993,527**	**100.00**	**4,241,461**	**100.00**

Deposits and Placements from Banks and other Financial Institutions and Financial Assets Sold under Repurchase Agreements

As at 30 June 2023, the deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,664,355 million, representing an increase of RMB81,174 million, or 5.13 per cent., as compared with that as at 31 December 2022.

Debt Securities Issued

As at 30 June 2023, total debt securities issued by the Group amounted to RMB628,199 million, representing a decrease of RMB19,908 million, or 3.07 per cent., as compared with that as at 31 December 2022.

SUBSTANTIAL SHAREHOLDERS

The table below sets forth certain shareholding information of the ten largest ordinary shareholders of the Bank as at 30 June 2023:

Name of Shareholder	No. of Shares directly or indirectly held	Approximate percentage of share capital	Class of Shares
		(per cent.)	(A, B, H or others)
HKSCC Nominees Limited	8,285,688,674	18.92	H
Dajia Life Insurance Co., Ltd. – Universal Product	4,508,984,567	10.30	A
Dajia Life Insurance Co., Ltd. – Traditional Product	2,843,300,122	6.49	A
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	1,888,530,701	4.31	A
New Hope Liuhe Investment Co., Ltd.	1,828,327,362	4.18	A
China Oceanwide Holdings Group Co., Ltd.	1,803,182,618	4.12	A
Shanghai Giant Lifetech Co., Ltd.	1,379,679,587	3.15	A
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	1,350,203,341	3.08	A
China Shipowners Mutual Assurance Association	1,324,284,453	3.02	A
Orient Group Incorporation	1,280,117,123	2.92	A

DIRECTORS, MANAGEMENT AND SUPERVISORS

Directors

The following table sets out certain information relating to the Bank's directors as at the date of this Offering Circular:

Name	Position
Mr. GAO Yingxin	Chairman and Executive Director
Mr. ZHENG Wanchun	President, Vice Chairman and Executive Director
Mr. YUAN Guijun	Executive Vice President and Executive Director
Mr. ZHANG Hongwei	Vice Chairman and Non-Executive Director
Mr. LU Zhiqiang	Vice Chairman and Non-Executive Director
Mr. LIU Yonghao	Vice Chairman and Non-Executive Director
Mr. SHI Yuzhu	Non-Executive Director
Mr. WU Di	Non-Executive Director
Mr. SONG Chunfeng	Non-Executive Director
Mr. WENG Zhenjie	Non-Executive Director (pending approval of professional qualification from the NAFR)
Mr. YANG Xiaoling	Non-Executive Director
Mr. ZHAO Peng	Non-Executive Director
Mr. XIE Zhichun	Independent Non-Executive Director
Mr. QU Xinjiu	Independent Non-Executive Director
Ms. WEN Qiuju	Independent Non-Executive Director
Mr. SONG Huanzheng	Independent Non-Executive Director
Mr. YEUNG Chi Wai, Jason	Independent Non-Executive Director
Mr. CHENG Fengchao	Independent Non-Executive Director
Mr. LIU Hanxing	Independent Non-Executive Director (pending approval of professional qualification from the NAFR)

Executive Directors

Mr. GAO Yingxin, born in 1962, is Chairman and an Executive Director of the Bank and Chairman of the Strategic Development and Consumer Rights Protection Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee of the Board. Mr. GAO is chairman of CMBC International and a member of the 13th CPPCC National Committee. Before joining the Bank, he was a vice chairman of the board and the chief executive of BOC Hong Kong (Holdings) Limited (listed on the HKSE (stock code: 02388)) and Bank of China (Hong Kong) Limited from January 2018 to May 2020, an executive director of Bank of China Limited ("**BOC**") (listed on the SSE (stock code: 601988) and on the HKSE (stock code: 03988)) from December 2016 to January 2018, an executive vice president of BOC from February 2015 to January 2018, an executive director and a deputy chief executive of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited from February 2005 to February 2015, president and chief operating officer of BOC International Holdings Limited from July 2004 to February 2005, general manager of the corporate banking department of BOC head office from June 1999 to July 2004 and a deputy general manager of the credit department and a deputy general manager of the corporate banking department of BOC head office from September 1996 to June 1999. Mr. GAO obtained his Master's Degree in Engineering from East China University of Science and Technology in 1986 and is a senior economist.

Mr. ZHENG Wanchun, born in 1964, is a Vice Chairman, an Executive Director and President of the Bank. He is also a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board. Before joining the Bank, Mr. ZHENG served as a vice president of Industrial and Commercial Bank of China Limited ("**ICBC**") (listed on the SSE (stock code: 601398) and on the HKSE (stock code: 01398)) from September 2013 to October 2015. Prior to that, he was president of China Great Wall Asset Management Corporation from February 2011 to September 2013, a vice president of China Huarong Asset Management Co., Ltd., chairman of Huarong Securities and chairman of Rongde Asset Management Co., Ltd., a joint venture of China and Germany, from December 2004 to February 2011, and served concurrently as chairman of Huarong Futures from January 2009 to February 2011. He was also an assistant president of China Huarong Asset Management Co., Ltd from September 2003 to December 2004, general manager of the operation management department of China Huarong Asset Management Co., Ltd. from April 2002 to August 2004, general manager of the creditor rights management department of China Huarong Asset Management Co., Ltd. from June 2000 to April 2002, a deputy general manager of the industrial and commercial credit department of ICBC head office from October 1999 to June 2000, general manager of the business department and an assistant president of ICBC Hainan branch from November 1998 to October 1999, president of the Yangpu branch of Hainan Province of ICBC from April 1997 to November 1998, and a deputy division director then division director of the industrial and transportation credit department of ICBC head office from July 1991 to April 1997. Mr. ZHENG obtained his Ph.D. Degree in Economics from Renmin University of China in 2000 and is a senior economist.

Mr. YUAN Guijun, born in 1963, is an Executive Director and an Executive Vice President of the Bank and a member of the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board. Before joining the Bank, Mr. YUAN was president of the Beijing branch of China Construction Bank (CCB) from 2017 to 2020, president of CCB Liaoning branch from 2013 to 2017, a deputy general manager then general manager of the corporate banking department of CCB head office from 2007 to 2013, and an assistant general manager then a deputy general manager of the risk management department of CCB head office from 2004 to 2007. He also worked in the investment department, credit management department, credit risk management department and the credit management division of the risk management department of CCB head office from 1986 to 2004. Mr. YUAN obtained his EMBA Degree from Tsinghua University and is a senior economist.

Non-Executive Directors

Mr. ZHANG Hongwei, born in 1954, is a Vice Chairman and a Non-Executive Director of the Bank, and also a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. Mr. ZHANG is chairman of United Energy Group Limited (listed on the HKSE (stock code: 00467)) and Orient Group Co., Ltd. Mr. ZHANG was previously the honorary chairman and a director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), chairman of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190)), a member of the 11th CPPCC National Committee and a standing committee member of the 10th CPPCC National Committee. Mr. ZHANG served as a vice chairman of ACFIC from 1997 to 2007. Mr. ZHANG obtained his MBA Degree from Harbin Institute of Technology in 1996 and is a senior economist.

Mr. LU Zhiqiang, born in 1951, is a Vice Chairman and a Non-Executive Director of the Bank, and a member of the Nomination Committee of the Board. Mr. LU was a Director of the Bank from the establishment of the Bank to June 2003, Chairman of the Board of Supervisors of the Bank from June 2003 to December 2004, and a Vice Chairman of the Board of Supervisors of the Bank from December 2004 to June 2006. Mr. LU is chairman and president of Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd., and chairman of China Oceanwide Holdings Group Co., Ltd. Mr. LU was president of China Oceanwide Holdings Group Co., Ltd. and chairman of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)). Mr. LU was also a non-executive director of Legend Holdings Corporation (listed on the HKSE (stock code: 03396)) and a director of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the HKSE (stock code: 06837)). Mr. LU served successively as a standing committee member and a vice chairman of ACFIC from 1998 to 2012 and a member of the 9th and 10th CPPCC National Committee and a standing committee member of the 11th and 12th CPPCC National Committee from 1998 to 2018. Mr. LU obtained his Master's Degree in Economics from Fudan University in 1995 and is a research fellow.

Mr. LIU Yonghao, born in 1951, is a Vice Chairman and a Non-Executive Director of the Bank, and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. He was previously a Vice Chairman of the Board from the establishment of the Bank to 2006. Mr. LIU is currently chairman and president of New Hope Group Co., Ltd., a director of New Hope Liuhe Co., Ltd. (listed on the SZSE (stock code: 000876)) and chairman of the General Association of Sichuan Entrepreneurs. Mr. LIU is a member of the 13th CPPCC National Committee, a vice president of China Association of Agricultural Leading Enterprises, a vice president of China Association for Public Companies and one of the promoters of China Society for Promotion of the Guangcai Programme. Mr. LIU was previously a vice chairman of the seventh and eighth sessions of ACFIC, a member of the 8th, 9th, 10th and 11th CPPCC National Committee, a standing committee member of the 9th and 10th CPPCC National Committee, a vice chairman of the 10th and 11th Committee for Economic Affairs of CPPCC National Committee, a representative of the 12th National People's Congress (NPC) and a vice president of China Society for Promotion of the Guangcai Programme.

Mr. SHI Yuzhu, born in 1962, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. Mr. SHI was previously a Non-Executive Director of the Bank from 2006 to 2014. Mr. SHI is chairman of Giant Network Group Co., Ltd. (listed on the SZSE (stock code: 002558)) (formerly known as Chongqing New Century Cruise Co., Ltd.), Giant Interactive Group Inc. (formerly known as Shanghai ZhengTu Interactive Group Inc) and Giant Charity Foundation. Mr. SHI was previously a director of Shanghai ZhengTu Interactive Group Inc. from 2006 to 2018, and a vice chairman of China Minsheng Investment Group Corp., Ltd. from 2014 to 2018. Mr. SHI obtained his Bachelor's Degree in Mathematics from Zhejiang University in 1984 and graduated from the postgraduate programme of soft science from Shenzhen University in 1990.

Mr. WU Di, born in 1965, is a Non-Executive Director of the Bank and a member of the Compensation and Remuneration Committee, the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board. Mr. WU is chairman and general manager of Good First Group Co., Ltd., a director of Hangzhou United Rural Commercial Bank, and chairman and an executive director of Datang Group Holdings Limited (listed on the HKSE (stock code: 02117)). Mr. WU is a representative of the Fujian Provincial People's Congress, a vice chairman of Fujian Federation of Commerce & Industry, an honorary vice chairman of Fujian Society for Promotion of the Guangcai Programme, honorary chairman of the Non-Stated-Owned Enterprise Chamber of Commerce in Fujian, a member of the CPPCC Xiamen Municipal Committee, a vice chairman of Xiamen Municipal Committee of China National Democratic Construction Association (CNDCA), honorary chairman of the Xiamen Chamber of Commerce in Shanghai, chairman of the Liaoning Chamber of Commerce in Fujian and a council member of Jimei University. Mr. WU obtained his Ph.D. Degree in Economics from Renmin University of China and now serves as a guest professor of Renmin University of China. Mr. WU is a senior economist.

Mr. SONG Chunfeng, born in 1969, is a Non-Executive Director of the Bank and a member of the Risk Management Committee, the Audit Committee and the Related Party Transactions Supervision Committee of the Board. Mr. SONG is general manager of China Shipowners Mutual Assurance Association, a vice president of China Shipowners' Association, vice chairman of Quanzhou Jinjiang COSCO Development Co., Ltd., an executive director of China P&I Management Co., Ltd., a director of China P & I Services (Hong Kong) Limited, an executive director of Shanghai Haixing Asset Management Limited, and a director of CPI Services (UK) Limited. Mr. SONG was a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the HKSE (stock code: 06837)), a managing director of COSCO (Hong Kong) Insurance Brokers Limited, chairman and general manager of Shenzhen COSCO Insurance Brokers Limited, manager of the commerce office under the transportation department of COSCO/China COSCO Holdings Co., Ltd. (listed on the SSE (stock code: 601919) and on the HKSE (stock code: 01919)), and a principal staff member, a deputy director, director and a manager of the commerce office of the commerce division under the transportation department of COSCO. Mr. SONG obtained his Ph.D. Degree in Law from Peking University in 2006 and is a senior economist.

Mr. WENG Zhenjie, born in 1962, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee, the Compensation and Remuneration Committee and the Audit Committee of the Board. Mr. WENG is chairman of Chongqing International Trust Company Limited and GuoDu Securities Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 870488)). Mr. WENG also serves as a director of Hefei Science & Technology Rural Commercial Bank Company Limited, China Trust Protection Fund Co., Ltd., and China Trust Registration Corporation Limited, a vice chairman of the Chongqing Municipal Committee of CNDCA, a standing committee member of the 5th CPPCC Chongqing Municipal Committee and a deputy officer of the 11th Central Financial Committee of CNDCA. Mr. WENG worked as chairman and chief executive officer of Chongqing International Trust Company Limited, chairman of Southwest Securities Co., Ltd. (listed on the SSE (stock code: 600369)), chairman and director of Chongqing Three Gorges Bank Co., Ltd., a member of the 9th Central Economic Committee of CNDCA, a deputy officer of the 10th Central Financial Committee of CNDCA, a representative of the third and fourth Chongqing Municipal People's Congress, and a standing committee member of Chongqing Municipal People's Congress, a deputy general manager of Beijing Centergate Technologies (Holding) Co., Ltd. and an instructor of the Chinese People's Liberation Army Institute of Telecommunication Engineering. Mr. WENG obtained his Master's Degree in Engineering in 1986. He is a senior economist, an expert with special allowances of the State Council and has been granted the honorary title of National Model Worker.

Mr. YANG Xiaoling, born in 1958, is a Non-Executive Director of the Bank and a member of the Compensation and Remuneration Committee of the Board. Mr. YANG served as a deputy general manager and chief operating officer of Dajia Insurance Group Co., Ltd., general manager of Dajia Life Insurance Co., Ltd., an assistant general manager (chief digital officer) of China Pacific Insurance (Group) Co., Ltd. (listed on the SSE (stock code: 601601); on the HKSE (stock code: 02601); and on the London Stock Exchange (stock code: CPIC)), a deputy executive general manager and director of transformation and promotion of China Pacific Life Insurance Co., Ltd., general manager of strategic planning department of China Pacific Insurance (Group) Co. Ltd., general manager of the Beijing branch of China Pacific Life Insurance Co., Ltd., a deputy director of the claim underwriting and settlement centre of China Pacific Life Insurance Co. Ltd., a department manager and a deputy general manager of the Shanghai branch of China Pacific Life Insurance Co., Ltd. Mr. YANG obtained his MBA Degree from Macau University of Science and Technology in 2002. He has the qualification for an intermediate-level insurance economist.

Mr. ZHAO Peng, born in 1973, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board. Mr. ZHAO is currently an assistant general manager and board secretary of Dajia Insurance Group

Co., Ltd., a director of Dajia Life Insurance Co., Ltd., a vice chairman of Financial Street Holdings Co., Ltd. (listed on the SZSE (stock code: 000402)) and a director of Sino-Ocean Group Holding Limited (listed on the HKSE (stock code: 03377)). Mr. ZHAO served as a member of the team designated by the former CBIRC to take over Anbang Insurance Group, a deputy division director then division director of the development and reform department of the former CIRC, and an executive member of Rizhao Commercial Bank and a director of Beijing Tong Ren Tang Co., Ltd. (listed on the SSE (stock code: 600085)). Mr. ZHAO obtained his Ph.D. Degree in Economic Law from China University of Political Science and Law in 2014. He has the qualification for an economist.

Independent Non-Executive Directors

Mr. XIE Zhichun, born in 1958, is currently an Independent Non-Executive Director of the Bank and also Chairman of the Risk Management Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee of the Board. Mr. XIE is now an executive director and chairman of China Fortune Financial Group Limited (listed on the HKSE (stock code: 00290)), an independent non-executive director of China Taiping Insurance Holdings Company Limited (listed on the HKSE (stock code: 00966)), a vice chairman of the consultation committee of Qianhai & Shekou Area of Shenzhen of China (Guangdong) Pilot Free Trade Zone and Qianhai Shenzhen-Hong Kong Cooperation Zone, a distinguished professor of the Research Centre for Economic Development in China's Special Economic Zone in Shenzhen University and a postgraduate supervisor of PBC School of Finance of Tsinghua University. Mr. XIE served before as an independent non-executive director of SuperRobotics Holdings Limited (listed on the HKSE (stock code: 08176)), a deputy general manager of China Investment Corporation and an executive director and general manager of Central Huijin Investment Ltd., an executive director and a deputy general manager of China Everbright Group Limited, chairman of the board of directors of Sun Life Everbright Life Insurance Co., Ltd., chairman of the board of directors of Sun Life Everbright Asset Management Co., Ltd., a vice president of China Everbright Bank Company Limited (listed on the SSE (stock code: 601818) and on the HKSE (stock code: 06818)), a director and president of Everbright Securities Company Limited, a vice chairman (unattending) of China Enterprises Association (Singapore), and a vice chairman (unattending) of Securities Association of China. Mr. XIE obtained his Bachelor's Degree in Philosophy from Heilongjiang University in 1982, Master's Degree in Economics from Harbin Institute of Technology in 1993 and Ph.D. Degree in Economics from Nankai University in 2004. Mr. XIE attended advanced management programmes in Yale School of Management in the United States from August to September 2011 and in Harvard Business School (AMP156) from April to July 1999, respectively. Mr. XIE is currently a senior economist.

Mr. XIE has many years of experience in the management of banks and asset management companies and can diversify the composition of the Board. He will provide the Board with experience in financial investment and management of banking business.

Mr. QU Xinjiu, born in 1964, is an Independent Non-Executive Director of the Bank and Chairman of the Nomination Committee and a member of the Audit Committee and the Related Party Transactions Supervision Committee of the Board. He is currently a professor of China University of Political Science and Law and a part-time lawyer of Beijing Fada Law Firm. Mr. QU served previously as a deputy dean and dean of the School of Criminal Justice of China University of Political Science and Law, director of the Institute of Criminal Law of the School of Criminal Justice of China University of Political Science and Law, and served concurrently as a deputy director of the investigation supervision department of the Supreme People's Procuratorate of the People's Republic of China, a deputy procurator-general of People's Procuratorate of Fengtai District of Beijing Municipality, a part-time associate of Beijing Dadi Law Firm. Mr. QU obtained his Ph.D. degree in Procedural Law from China University of Political Science and Law in 2001. Mr. QU has the qualifications for university teachers and lawyers.

Mr. QU has many years of experience in legal practice and can promote the diversification of composition of the Board. He will provide the Board valuable advice on policy making and compliant operation.

Ms. WEN Qiuju, born in 1965, is an Independent Non-Executive Director of the Bank and Chairman of the Audit Committee and a member of the Nomination Committee, the Compensation and Remuneration Committee, the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board. She currently serves as a member of Management Committee and managing partner of Da Hua Certified Public Accountants (Special General Partnership) and the chairman of Da Hua International Management Consulting (Beijing) Co., Ltd. (大華國際管理諮詢(北京)有限公司). Ms. WEN obtained a Master's Degree in western accounting from Dongbei University of Finance and Economics in 1989.

Ms. WEN is a certified public accountant and a certified public valuer, and has extensive experience in accounting, auditing and management consulting.

Mr. SONG Huanzheng, born in 1968, is an Independent Non-Executive Director of the Bank and Chairman of the Related Party Transactions Supervision Committee and a member of the Strategic Development and Consumer Rights Protection Committee, the Nomination Committee, the Compensation and Remuneration Committee and the Risk Management Committee of the Board. He currently serves as the director and senior partner of Beijing S&P Law Firm, a consultant expert for Civil Administrative Cases of the Supreme People's Procuratorate, a member of the lawyer team of the China National Committee of the International Chamber of Commerce (ICC), a director of the Expert Committee for China Association of Trade in Services, a standing director of the Corporate Governance Research Branch of the China Behaviour-law Association, a member of the Capital Market and Securities Legal Affairs Professional Committee, the M&A and Reorganisation Legal Professional Committee of the Beijing Lawyers Association, an external director of a municipal state-owned enterprise under the Beijing SASAC (appointed to the Beijing Enterprises Group Company Limited), a part-time professor of the School of Law of the Xiangtan University and the director of the Legal Practice Research Centre. Mr. SONG was the chief lawyer of China National Real Estate Development Group and the standing director of Chinese Society of International Economic Law. Mr. SONG obtained a Master's Degree in Economic Law from Southwest University of Political Science and Law in 1993.

Mr. SONG is qualified as a lawyer and specialises in corporate law, financial law, securities law and bankruptcy law, with nearly 30 years of experience as a practicing lawyer.

Mr. YEUNG Chi Wai, Jason, born in 1955, is an Independent Non-Executive Director of the Bank and Chairman of the Compensation and Remuneration Committee and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. He currently serves as the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited, independent non-executive director of China Telecom Corporation Limited. Mr. YEUNG served as independent non-executive director of Bank of Communications Co., Ltd., independent non-executive director of AviChina Industry & Technology Company Limited; deputy chief executive (personal banking business) of Bank of China (Hong Kong) Limited, board secretary of Bank of China (Hong Kong) Limited, board secretary of Bank of China Limited; director and legal counsel of China Everbright Limited, China Everbright International Ltd. under China Everbright Group; a lawyer and partner of Woo, Kwan, Lee & Lo; a member of the Convention of Hong Kong Hospital Authority; director of The Hong Kong Mortgage Corporation Limited and the Financial Dispute Resolution Centre; a member of the Insurance Advisory Committee of HKSAR Government. He also worked in the Hong Kong Government and the Hong Kong Securities and Futures Commission. Mr. YEUNG obtained his Master's Degree in Business Administration from the University of Western Ontario, Canada in 2001.

Mr. YEUNG is qualified as a lawyer and has extensive experience in finance, legal, compliance and regulation.

Mr. CHENG Fengchao, born in 1959, is an Independent Non-Executive Director of the Bank. He currently serves as president of Zhongguancun Research Society for Finance and Industry, a social organization, independent director of PICC Property and Casualty Company Limited, Minmetals Capital Company Limited and Sinochem International Corporation; external supervisor of Everbright Securities Company Limited; a member of Academic Advisory Committee of China Association for Public Companies; and tutor to PhD students of Hunan University. Mr. CHENG served as director of equity interest of Industrial and Commercial Bank of China Limited and Agricultural Bank of China Limited; supervisor of China Everbright Group Limited; external supervisor of China Huarong Asset Management Company Limited; independent director of Beijing GeoEnviron Engineering & Technology, Inc., Lihuayi Weiyuan Chemical Company Limited and Tsinghua Tongfang Company Limited; legal representative of Beijing Mingjiazhibo Enterprise Management Consulting Company Limited, general manager of Development and Research Department, Assessment Management Department and other sectors of China Great Wall Asset Management Corporation (now renamed as "China Great Wall Asset Management Co., LTD"); vice chairman and secretary of Hebei Institute of Certified Public Accountants. Mr. CHENG obtained his doctorate degree in management from Business School of Hunan University in 2004, majoring in management science and engineering. He is a financial science researcher, senior accountant, PRC certified public accountant and China's certified public valuer, and has expertise in accounting, audit, assessment, banking and securities businesses.

Mr. CHENG has over 40 years of work experience in economic fields and accumulated extensive business management knowledge and capital market practice.

Mr. LIU Hanxing, born in 1973, is an Independent Non-Executive Director of the Bank. He currently serves as general manager of Mingzhe Maosheng (Hainan) Investment Co., Ltd. Mr. LIU served as director of the general office, planning and research department and equity assets department of the National Council for Social Security Fund, non-executive director of Bank of Communications Co., Ltd., vice president of Beijing Branch of Bank of Communications Co., Ltd., deputy director of the non-bank department and deputy director of the information center of the China Banking Regulatory Commission, and principal staff of the general office of the People's Bank of China. Mr. LIU obtained his bachelor's degree in international finance from the Economics Department of Peking University in 1995, a master's degree in Chinese economic history from the Economics Department of Peking University in 1997 and a doctoral degree in management science and management engineering from Graduate University of Chinese Academy of Sciences in 2012.

Mr. LIU is familiar with financial regulations and regulatory requirements, and specialises in asset allocation and equity investment with extensive experience in corporate governance and banking practice.

Supervisors

Name	Position
Mr. ZHANG Juntong	Chairman of the Board of Supervisors and Employee Supervisor
Mr. YANG Yu	Vice Chairman of the Board of Supervisors and Employee Supervisor
Mr. LU Zhongnan	Shareholder Supervisor
Mr. LI Yu	Shareholder Supervisor
Mr. WANG Yugui	External Supervisor
Mr. ZHAO Fugao	External Supervisor
Mr. ZHANG Liqing	External Supervisor
Mr. GONG Zhijian	Employee Supervisor

Mr. ZHANG Juntong, born in 1974, is now Chairman of the Board of Supervisors and an Employee Supervisor of the Bank. He is also Chairman of the Supervisory Committee and a member of the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHANG joined the Bank in 2016. Before that, Mr. ZHANG served as director of the office of the general office and a deputy director-general of the general office of the former CBRC. He served previously as a deputy division director and a consultant of the general office of the CSRC. Mr. ZHANG also served in China National Technical Import and Export Corporation (中國技術進出口總公司) and China General Technology (Group) Holding Limited (中國通用技術(集團)控股有限責任公司). Mr. ZHANG obtained his Master's Degree in World Economy from Peking University.

Mr. YANG Yu, born in 1964, is currently a Vice Chairman of the Board of Supervisors and an Employee Supervisor of the Bank. He is also a member of the Supervisory Committee of the Board of Supervisors, and President of Beijing Branch of the Bank. Mr. YANG joined the Bank in 1996 and successively served as Division Director, a Deputy General Manager and then Deputy General Manager (in charge) of the Credit Management Department of the Head Office, a Deputy General Manager of the Beijing Administration Department, President of the Real Estate Finance SBU and General Manager of the Investment Banking Department of the Bank. From July 1989 to 1996, Mr. YANG successively served as a lecturer of the Beijing Institute of Fashion Technology and a manager of the business department of Huayin International Merchants Company of Industrial and Commercial Bank of China, and from February 2012 to September 2016, he served as president of Bairong Investment Holding Group Co., Ltd. (百榮投資控股集團有限公司). Mr. YANG obtained a Master's Degree in Economics, majoring in Business Management of Industrial Economics Department from Renmin University of China.

Mr. LU Zhongnan, born in 1955, is currently a Shareholder Supervisor of the Bank and is also a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors of the Bank. Mr. LU is currently an independent director of Yantai Bank Co., Ltd. Mr. LU was previously a division director of the PBOC Heilongjiang branch, a vice president of the PBOC Harbin branch, a vice president and then an executive vice president of the PBOC Heilongjiang branch, a vice president of the PBOC Shenyang Branch. He was previously also a director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), a director of New China Life Insurance Co., Ltd. (listed on the SSE (stock code: 601336) and on the HKSE (stock code: 01336)), a vice chairman and president of China Minzu Securities Co., Ltd., chairman of Shenzhen New Industries Venture Capital Co., Ltd., a director, a vice chairman, and chairman of the executive committee of the board of directors of New China Trust Co., Ltd. and an independent director of Qilu Bank Co., Ltd. (listed on the National Equities Exchange and Quotations) (stock code: 832666). Mr. LU graduated from the postgraduate course for advanced studies in economic management from Heilongjiang Provincial Academy of Social Sciences. He is currently a senior economist.

Mr. LI Yu, born in 1974, is currently a Shareholder Supervisor of the Bank. He is also a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors. Mr. LI is a vice chairman of Shanghai Innovation Investment Limited (上海創新投資有限公司) and CEO of Ranger-Duree Healthcare Management Group Co., Ltd. Mr. LI was previously CEO of Shandong Yatai Zhonghui Group Co., Ltd. (山東亞太中慧集團) and a vice president of Pacific Alliance Group. Mr. LI obtained his Master's Degree in Economics (majoring in Finance) from the School of Finance of Renmin University of China.

Mr. WANG Yugui, born in 1951, is an External Supervisor of the Bank and a member of the Supervisory Committee of the Board of Supervisors. Mr. WANG is an external supervisor of Bank of Hebei Co., Ltd., an arbitrator of the Maritime Arbitration Commission of China Council for the Promotion of International Trade, and an independent director of Asia-Pacific Property & Casualty Insurance Co., Ltd. Mr. WANG was general manager of China Shipowners Mutual Assurance Association, and an executive council member of China Maritime Law Association and the China Association of Trade in Services. He was also a non-executive director and a supervisor of China Everbright Bank (listed on the SSE (stock code: 601818) and on the HKSE (stock code: 06818)), a Non-Executive Director of the first to sixth sessions of the Board of the Bank and a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the HKSE (stock code: 06837)). Mr. WANG graduated from Beijing International Studies University in 1977 and is a senior economist.

Mr. ZHAO Fugao, born in 1955, is an External Supervisor of the Bank and a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHAO served as a staff member, a deputy principal staff member, a deputy division director, a division director, a vice president and president of the CCB (listed on the HKSE (stock code: 00939) and on the SSE (stock code: 601939)) Sichuan branch, during which he concurrently served as president of the CCB Chengdu branch. He was also general manager of the personal deposit and investment department of the head office of CCB, and person in charge of the preparatory team of insurance business of CCB. He was also president and a vice chairman of CCB Life Insurance Company Limited (which was renamed as CCB Life Insurance Co., Ltd. in 2016) and head of the preparatory team of CCB Property & Casualty Insurance Co., Ltd. and CCB Life Insurance Asset Management Company Limited. Mr. ZHAO obtained his Bachelor's Degree in Economics from Hubei University of Finance and Economics (currently known as Zhongnan University of Economics and Law) in January 1982. He is a senior economist and an expert with special allowances of the State Council.

Mr. ZHANG Liqing, born in 1963, is an External Supervisor of the Bank and Chairman of the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHANG currently works in the Central University of Finance and Economics as a professor of School of Finance (a doctoral supervisor), director of the Centre for International Finance Studies, and director of Collaborative Innovation Centre for Global Financial Governance. He is also an independent non-executive director of E-Star Commercial Management Company Limited (listed on the HKSE (stock code: 06668)). Mr. ZHANG served as dean of the School of Finance, a deputy director of the finance department and a director of the international finance teaching and research office of Central University of Finance and Economics. He was also a visiting research fellow at the Fairbank Centre for Chinese Studies of Harvard University, a visiting research fellow at the Earth Institute of Columbia University, a senior visiting research fellow at the Peterson Institute for International Economics, a visiting scholar at the Economic Development Institute of the World Bank, a guest professor at the College of Asia and the Pacific of Australian National University, a guest professor at the Business School of University of Birmingham, and a guest professor at the German University of Applied Sciences. He was an independent director of China Securities Co., Ltd., an independent director of Poly Developments and Holdings Group Co., Ltd. (listed on the SSE (stock code: 600048)), an independent non-executive director of Gome Finance Technology Co., Ltd. (listed on the HKSE (stock code: 00628)) and an independent director of Bank of Ruifeng. Mr. ZHANG obtained his Ph.D. Doctor's Degree in Economics from Renmin University of China (majoring in global economics).

Mr. GONG Zhijian, born in 1967, is an Employee Supervisor of the Bank and a member of the Supervisory Committee of the Board of Supervisors. He is currently General Manager of the Human Resources Department of the Head Office of the Bank. Mr. GONG joined the Bank in 2001 and successively served as General Manager of the Human Resources Department of Shenzhen Branch, Division Director of the Human Resources Management Division, Division Director of the Remuneration and Compensation Management Division, an Assistant General Manager then a Deputy General Manager of the Human Resources Department of the Head Office, a Deputy General Manager (in charge) and then General Manager of the Development Planning Department of the Head Office, and President of Chengdu Branch. Prior to joining the Bank, Mr. GONG successively served as a teaching assistant of the lecturers' group and an officer of the corporate communications department of the publicity department of the CPC Yiyang Municipal Committee of Hunan Province, a deputy section chief of the social development planning section of Yiyang Municipal Commission of Planning of Hunan Province and general manager of the personnel and education department of Zhuhai City Commercial Bank of Guangdong Province from July 1991 to February 2001. Mr. GONG obtained his Ph.D. Degree in Business Administration from Wuhan University.

Senior Management

Name	Position
Mr. ZHENG Wanchun	President, Vice Chairman and Executive Director
Mr. YUAN Guijun	Executive Vice President and Executive Director
Mr. SHI Jie	Executive Vice President
Ms. LI Bin	Executive Vice President and Board Secretary
Mr. LIN Yunshan	Executive Vice President
Mr. ZHANG Bin	Chief Information Officer

Mr. ZHENG Wanchun, is a Vice Chairman and Executive Director of the Bank. Please refer to his biography in "*Directors – Executive Directors*".

Mr. YUAN Guijun, is an Executive Director of the Bank. Please refer to his biography in "*Directors – Executive Directors*".

Mr. SHI Jie, born in 1965, is an Executive Vice President of the Bank. Mr. SHI joined the Bank in 1998 and served as General Manager of Planning and Finance Department of Shijiazhuang Sub-Branch of the Bank. He successively served as General Manager of the Business Department of Shijiazhuang Branch since March 2001, Deputy Division Director (in charge) of the Risk Management Department of Head Office of the Bank since July 2001, an Assistant General Manager and a Deputy General Manager of the Credit Assessment Department of Head Office since February 2004, Head of the Preparatory Team and President of Changchun Branch since June 2008, General Manager of the Credit Assessment Department of Head Office since August 2009 and an Assistant President of the Bank since 2012. Prior to joining the Bank, Mr. SHI served as a section chief of the finance division of Hebei University of Economics and Business from 1995 to 1998 and an executive member of Taihang Industrial Co., Ltd. of Hebei Institute of Finance and Economics from 1992 to 1995. Mr. SHI obtained his Master's Degree in Management from Tianjin Institute of Finance and Economics.

Ms. LI Bin, born in 1967, is an Executive Vice President and the Board Secretary of the Bank. Ms. LI joined the Bank in 1995 and served as Division Director (in charge) of the Capital Division of the International Business Department of the Bank. She successively served as a Deputy General Manager of the Financial Institutions Department since October 2000, General Manager of the Derivatives Products Department since May 2007, President of the Financial Markets Department since May 2009 and an Assistant President of the Bank since 2012. Prior to joining the Bank, Ms. LI worked in the international department of the Beijing branch of Agricultural Bank of China from August 1990 to July 1995. Ms. LI obtained her Ph.D. Degree in Finance from the School of Finance of Renmin University of China.

Mr. LIN Yunshan, born in 1970, is an Executive Vice President of the Bank. Mr. LIN joined the Bank in 2001, and successively served as Division Director of the Bills Business Division of the Corporate Business Department from 2002 to 2003, an Assistant General Manager of the Corporate Business Department from 2003 to 2005, a Vice President of Shenzhen Branch from 2005 to 2007, Director of the Office of Corporate Banking Management committee and then General Manager of the Corporate Banking Department from 2007 to 2012, and an Assistant President of the Bank since 2012. Prior to joining the Bank, Mr. LIN worked for the PBOC as a deputy principal staff member and a principal staff member of the payment and settlement division of the accounting department from 1993 to 1998, a principal staff member of the payment system division of the payment technology department from 1998 to 1999 and a principal staff member of the CCB supervisory division of the supervisory department I from 1999 to 2001. Mr. LIN obtained his Master's Degree in Finance from Renmin University of China.

Mr. ZHANG Bin, born in 1967, is Chief Information Officer of the Bank. Prior to joining the Bank, Mr. ZHANG served as chief information officer of Ping An Bank from 2018 to 2021, a member of the preparatory team, vice president and chief information officer, and an executive director of Zhongyuan Bank from 2014 to 2017, an assistant general manager, a deputy general manager (in charge), general manager, and technical director of the IT department of the Head Office of CITIC Bank from 2005 to 2014, an engineer, a manager, an assistant general manager, and a deputy general manager of the IT department of China Merchants Bank Beijing Branch from 1996 to 2005, and an engineer of the technology section of No. 1 Radio Factory in Huainan City of Anhui Province from 1989 to 1993. Mr. ZHANG obtained his Master's Degree in Software Engineering from the Institute of Software of the Chinese Academy of Sciences and EMBA Degree from China Europe International Business School.

The Company Secretary

Ms. CHEUNG Yuet Fan, is a director of Corporate Services of Tricor Services Limited ("**Tricor**", a global professional services provider specializing in integrated business, corporate and investor services). Ms. CHEUNG has over 30 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. She is currently a joint company secretary or company secretary of various listed companies, the shares of which are listed on the HKSE. Prior to joining Tricor, Ms. CHEUNG worked in the corporate secretarial department of Deloitte Touche Tohmatsu in Hong Kong and in various Hong Kong listed companies in the role of company secretary and corporate governance areas. Ms. CHEUNG is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. CHEUNG obtained a Bachelor of Arts degree in Accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong).

Board Committees

The Bank's board of directors delegates certain responsibilities to various committees. The Bank's board of directors has set up six special committees as described below.

Strategic Development and Consumer Rights Protection Committee

This committee is responsible for execution of supports on decision-making, active promotion of strategic management, continuous optimisation of capital management, active promotion of investment management, enhancement of the management of subsidiaries, continuous optimisation of the management of consolidated financial statements of the Bank, improvement of inclusive finance, customer rights protection and social responsibilities and optimisation of data management.

Risk Management Committee

This committee is responsible for creating and reviewing the Bank's risk management policies and indicators, conducting research on financial markets and the macroeconomic climate, reviewing the Bank's compliance with law and regulation, reviewing risk management reports and indicators and contingency planning for potential major operational risks faced by the Bank.

Related Party Transactions Supervision Committee

This committee is responsible for reviewing transactions with related parties and maintaining records of related parties.

Nomination Committee

This committee is responsible for evaluating the independence of the Bank's independent non-executive directors and reviewing candidates for senior management roles or non-executive director.

Compensation and Remuneration Committee

This committee is responsible for managing the Bank's remuneration systems and evaluating the targets and performance of directors and senior management.

Audit Committee

This committee is responsible for managing internal branch inspections, reviewing the Bank's financial statements and internal controls and assessing and appointing external auditors.

TAXATION

The following summary of certain PRC, Hong Kong and EU tax consequences of the purchase, ownership and disposal of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

PRC Taxation

According to the PRC Enterprise Income Tax Law and the relevant implementation rules, non-PRC resident enterprises will not be subject to PRC income tax in respect of interest income borne and paid by enterprises, organisations or establishments located outside the PRC. However, enterprises that are established under the laws of foreign countries and regions whose “de facto management bodies” are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law. The EIT Laws provide that the “de facto management body” of an enterprise is the organisation that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of the PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law and income or gains paid with respect to the Notes may be considered to be derived from sources within the PRC. Pursuant to the PRC Individual Income Tax Law and the relevant implementation rules, it remains uncertain as to whether non-PRC resident individuals shall be subject to PRC income tax in respect of the interest income from the Notes. Should the PRC tax authority deem the interest income from the Notes of the non-PRC resident individuals as income sourced within the PRC referred to in Regulations on the Implementation of the PRC Individual Income Tax Law, the non-PRC resident individual Noteholders may be subject to the individual income tax at 20 per cent., unless otherwise provided for in preferential taxation policies under special taxation arrangements.

According to the arrangement for avoidance of double taxation between the PRC and Hong Kong, both Hong Kong resident enterprises and Hong Kong resident individuals will not be subject to the PRC income tax in respect of the revenue from the sale or exchange of the Notes. However, pursuant to the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementation rules, it remains uncertain as to whether other non-PRC resident Note investors shall be subject to the PRC income tax in respect of the revenue from the sale or exchange of the Notes. Should the PRC tax authority deem the gains of the non-PRC residents generated from the sale or exchange of the Notes as income sourced within the PRC, the non-PRC resident Noteholders other than Hong Kong residents may be subject to the enterprise income tax at rate of 10 per cent. for non-PRC resident enterprises, or individual income tax at 20 per cent. for non-PRC resident individuals, respectively, unless otherwise provided for in other preferential taxation policies under special taxation arrangements.

As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, non-resident enterprise holders of the Notes will not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Notes) or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "IRO")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "Amendment Ordinance") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong) (the "SDO").

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of three per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 17 November 2023, if stamp duty applies to the transfer of Registered Notes required to be registered in Hong Kong and which are not otherwise exempt it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Bank is a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the relevant Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru made prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "Terms and Conditions of the Notes – Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "Commission's proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the Commission's proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

BANKING REGULATION AND SUPERVISION IN THE PRC

The banking industry is heavily regulated in the PRC, with the NAFR and PBOC acting as the principal regulatory authorities. the NAFR is primarily responsible for supervising and regulating banking institutions, and the PBOC, as the central bank of the PRC, is primarily responsible for formulating and implementing monetary policies. The applicable laws and regulations governing activities in the PRC's banking industry consist principally of the Law of PRC on the People's Bank of China (the "**PRC PBOC Law**"), the PRC Commercial Banking Law (中華人民共和國商業銀行法), the Law of PRC on Regulation of and Supervision over the Banking Industry (中華人民共和國銀行業監督管理法), and the rules and regulations promulgated thereunder.

Principal Regulators

Prior to April 2003, PBOC acted as both the PRC's central bank and the principal supervisor and regulator of the banking industry. In April 2003, CBRC was established to serve as the primary banking industry regulator and it assumed the majority of bank regulatory functions from PBOC. Pursuant to the Plan for the Institution Reform of the State Council issued by the National People's Congress on March 10, 2023, CBIRC was incorporated into the NAFR and no longer be retained, and the daily regulatory responsibilities of the PBOC for financial holding companies and other financial groups, as well as the responsibilities for consumer protection in the financial sector, and the investor protection responsibilities of the CSRC are also transferred to the NAFR.

NAFR

Functions and Powers

The NAFR was the primary supervisory authority responsible for the regulation of banking institutions operating in the PRC, including branches and representative offices established by foreign financial institutions in the banking sector in the PRC.

According to the Law of PRC on Regulation of and Supervision over the Banking Industry, the main responsibilities of the NAFR in respect of the regulation of banking industry include:

(1) formulating and promulgating rules and regulations governing banking institutions and their business activities;

(2) reviewing and approving the establishment, change, dissolution and business scope of banking institutions, as well as granting banking licences for commercial banks, their branches and subsidiaries, branches and representative offices of foreign banks in the PRC;

(3) regulating the business activities of banking institutions, including the products and services they offer;

(4) setting qualification requirements for, and approving or overseeing the nomination of, directors and senior management personnel of banking institutions;

(5) setting guidelines and standards for internal controls, risk exposure and corporate governance of, and disclosure requirements for, banking institutions;

(6) conducting on-site inspection and off-site surveillance of the business activities and risk exposure status of banking institutions;

(7) monitoring the financial condition of banking institutions, including establishing standards or requirements for capital adequacy, asset quality and other financial metrics;

(8) imposing corrective and punitive measures for violations of applicable banking regulations;

(9) formulating prudential regulation principles of banking sector in accordance with laws and administrative regulations;

(10) working with authorities (including the PBOC and the MOF);

(11) to establish emergency disposal mechanisms, and together with the PBOC, the financial departments of the State Council and other competent authorities, develop plans to deal with any emergencies in the banking sector;

(12) guiding and conducting surveillance on the activities of banking self-disciplinary organisations; and

(13) carrying out international communication and cooperation activities related to supervisions of the banking sector.

Examination and Supervision

The NAFR, through its head office in Beijing and offices in each province, provincial-level municipality and autonomous region, monitors the operations of commercial banks and their branches through on-site inspections and off-site surveillance. On-site inspections generally include visiting the banks' premises, interviewing bank employees, senior management and directors, as well as reviewing documents and materials maintained by the banks. The NAFR also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the banks. Off-site surveillance generally includes the surveillance of banks' business activities and risk exposure status to evaluate and analyse the operational risk of the banks. If a banking institution is not in compliance with a regulation, the NAFR has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and other income and asset transfers, closure of the institution and other penalties.

PBOC

As the central bank of the PRC, the PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the financial markets. According to the PRC PBOC Law, the PBOC is empowered to:

(1) Enforcing relevant rules and regulations that are related to fulfilling its functions;

(2) Formulating and implementing monetary policy in accordance with law;

(3) Issuing the Renminbi and administering its circulation;

(4) Regulating the inter-bank lending market and the inter-bank bond market;

(5) Implementing foreign exchange management, supervising inter-bank foreign exchange market;

(6) Supervising and regulating gold market;

(7) Holding and managing the state foreign exchange and gold reserves;

(8) Making payment and settlement rules in collaboration with relevant departments and ensuring normal operation of the payment and settlement systems;

(9) Providing guidance to anti-money laundering work in the financial sector and monitoring money-laundering related suspicious fund movement;

(10) Developing statistics system for the financial industry and responsible for the consolidation of financial statistics as well as the conduct of economic analysis and forecast; and

(11) Participating in international financial activities at the capacity of the central bank.

Other Regulatory Authorities

In addition to the NAFR and PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, among others, SAFE and CSRC. For example, in conducting foreign exchange business, banks are subject to the regulation of SAFE; in dealing with securities-related matters such as distributing securities investment funds or acting as the custodians of investment assets of securities institutional investors, banks are subject to the regulation of CSRC.

Regulations Regarding Capital Adequacy

Capital Adequacy Guidelines

In March 2004, the CBRC implemented capital adequacy guidelines applicable to all commercial banks in the PRC. The guidelines, the Capital Adequacy Measures, provided for a phase-in period whereby all domestic banks must have met minimum capital adequacy ratios by 1 January 2007. On 3 July 2007, the CBRC amended the Capital Adequacy Measures issued in March 2004 to set forth new and more stringent capital adequacy guidelines which must be complied with from 3 July 2007.

In January 2013, the CBRC implemented the Capital Management Rules regulating capital adequacy ratios ("CAR") of PRC commercial banks. The Capital Management Rules, which are intended to reflect the Basel III regulatory capital requirements, set out minimum CAR requirements for commercial banks and provide detailed guidelines on the calculation of "capital" and "risk-weighted assets". The CBRC promulgated the Capital Management Rules on 7 June 2012 based on the reform of the banking industry and the existing regulatory framework of the PRC. The Capital Management Rules establish a unified regulatory system in respect of the capital adequacy ratio, clarify the definition of capital, expand the range of capital risk coverage, raise the bottom line for the capital adequacy ratio and set a six-year transition period (from 2013 to 2018) for banks to comply with capital adequacy ratio requirements. On 26 October 2023, the NAFR updated the Capital Management Rules by promulgating the Measures on Capital Management of Commercial Banks, which became effective from 1 January 2024. As a result, the Bank is required to maintain a minimum core tier one capital adequacy of five per cent., a minimum tier one capital adequacy of six per cent., a minimum capital adequacy of eight per cent and a minimum capital adequacy of 8 per cent and a minimum capital conservation buffer of 2.5 per cent. In addition, the domestic systemically important bank is required to maintain a further capital surcharge above prevailing

Core Tier 1 Capital requirements as separately stipulated by the PBOC in conjunction with the NAFR. According to Additional Regulatory Rules for Systemically Important Banks (for Trial Implementation) (系統重要性銀行附加監管規定(試行)), as one of the domestic systemically important banks, the Bank is currently required to maintain certain additional capital requirements in addition to prevailing minimum capital requirements. The CARs are calculated in accordance with the Capital Management Rules as follows:

$$\text{CAR} = \frac{\text{Total Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

$$\text{Tier 1 CAR} = \frac{\text{Tier 1 Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

$$\text{Core Tier 1 CAR} = \frac{\text{Core Tier 1 Capital} - \text{deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100\%$$

Further details regarding the basic principles of such calculations can be obtained at the official website of the NAFR.

The contents of this website do not form a part of this Offering Circular.

Risk Management Guidance

On 27 September 2016, the CBRC released the Guidance on Comprehensive Risk Management of Banking Financial Institutions (《銀行業金融機構全面風險管理指引》) whose effective date is 1 November 2016, requiring the banking financial institutions to establish a comprehensive risk management system and combine qualitative and quantitative methods to identify, measure, assess, monitor, report, control or mitigate various types of risks borne by them. These risks include credit risk, market risk, liquidity risk, operational risk, country risk, bank account interest rate risk, reputation risk, strategic risk, information technology risk and other risks. The comprehensive risk management system of a financial institution in the banking industry shall consider the correlation between risks, prudently evaluate the mutual impact between various types of risks, and prevent cross-border and cross-sector risks.

PRC CURRENCY CONTROLS

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a Supervision List determined by the PBOC and five other relevant authorities would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (中國人民銀行關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "2013 PBOC Circular") which simplified the procedures for cross-border Renminbi trade settlement under current account items. On 1 November 2014, PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (中國人民銀行關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the "2015 PBOC Circular"), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises in the Shanghai FTZ may establish an additional cash pool in the local scheme in the Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pool.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms by PBOC, MOFCOM and SAFE, foreign investors are as of the date of this Offering Circular, permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. In addition, the Circular on Reforming Foreign Exchange Capital Settlement for Foreign

Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) which became effective on 1 June 2015, allows foreign-invested enterprises to settle 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular. In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further fillings with SAFE.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "foreign debt") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "outbound loans"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in denominated and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "cross-border security"). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remains potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular. It is not clear how regulators will deal with such inconsistencies in practice.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

Qualified non-financial enterprises within the Shanghai FTZ, the China (Guangdong) Free Trade Pilot Zone, the China (Tianjin) Free Trade Pilot Zone and the China (Fujian) Free Trade Pilot Zone are permitted to borrow Renminbi from offshore lenders within the prescribed macro prudential management limit. However, there is some uncertainty in relation to how this will apply to non-financial enterprises in the Shanghai FTZ that are currently permitted to settle foreign debt proceeds in Renminbi on a voluntary basis, provided that the proceeds should not be used beyond their business scope or in violation of relevant laws and regulations, under the existing account-based settlement scheme Pilot schemes relating to cross-border Renminbi loans, bonds, or equity investments have also been launched for, among others, enterprises in Shenzhen Qianhai, Jiangsu Kunshan, Jiangsu Suzhou Industrial Park.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer nor the Arrangers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, amongst other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("CMU Members") of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, "CMU Instruments") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all financial institutions regulated by the Hong Kong Monetary Authority, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the "income proceeds") by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

An investor holding an interest through an account with either Euroclear or Clearstream, in any Notes held in the CMU, will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream.

Registered Notes

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Notes to be represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an International Securities Identification Number ("ISIN") and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream or the CMU (if applicable).

Each Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "Subscription and Sale".

All Registered Notes will initially be in the form of a Global Certificate. Individual Certificates will be available, in the case of Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

SUBSCRIPTION AND SALE

Dealer Agreement

Subject to the terms and on the conditions contained in the Dealer Agreement between the Issuer, the Arrangers and the Permanent Dealers, the Notes will be offered on a continual basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers as at the date of the Dealer Agreement. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Arrangers, the Dealers or any of their respective affiliates may have performed certain banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of the Issuer's or their business. The Dealers or certain of their respective affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

In connection with the offer and sale of the Notes, the Issuer, the Arrangers, the Dealers and/or their respective affiliates may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the Issuer, the Arrangers, the Dealers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see "Risk Factors – Risks Relating to the Market Generally – Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity"). The Issuer, the Arrangers and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

In the ordinary course of their various business activities, the Arrangers, the Dealers and/or and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Bank, including the Notes and could adversely affect the trading price and liquidity of the Notes. The Arrangers, the Dealers and/or and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Bank, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer or the Bank.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Bank, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Bank, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Bank or any CMI (including its group companies) and inform the relevant Dealer accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Bank. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Bank, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealer may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

Selling Restrictions

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

United States

This paragraph shall apply in respect of any Notes the Pricing Supplement for which specifies that "Regulation S Category 1" applies. The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold the Notes, and that it will not offer or sell, any Notes constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meaning given to them by Regulation S. In addition, until 40 days after the commencement of any offering, an offer or sale of Notes from that offering within the United States by any dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

This paragraph shall apply in respect of any Notes the Pricing Supplement for which specifies that "Regulation S Category 2" applies. The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has offered and sold, and shall offer and sell, any Series (1) as part of their distribution at any time and (2) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Issuer and each relevant Dealer, by the Fiscal Agent, or the lead manager, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer agrees and each further Dealer will be required to agree to notify the Fiscal Agent or, in the case of a syndicated Issue, the lead manager when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Fiscal Agent or, in the case of a syndicated issue, the lead manager may determine the completion of the distribution of all Notes of that tranche and notify the other relevant Dealers of the end of the distribution compliance period. Each Dealer agrees and each further Dealer will be required to agree that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of Notes of which such Notes are a part, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in this paragraph have the meaning given to them by Regulation S. In addition, until 40 days after the commencement of any offering, an offer or sale of Notes from that offering within the United States by any dealer whether or not participating in the offering may violate the registration requirements of the Securities Act.

Unless the Pricing Supplement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree in relation to each Tranche of Notes in bearer form that:

(i) except to the extent permitted under U.S. Treas. Reg.§1.163-5(c)(2)(i)(D) (the "TEFRA D Rules"):

(a) it has not offered or sold, and during a 40-day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

(b) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(ii) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;

(iii) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg.§1.163-5(c)(2)(i)(D)(6); and

(iv) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations and agreements contained in sub-paragraphs (i), (ii) and (iii) above on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (i), (ii) and (iii) above.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the TEFRA D Rules.

To the extent that the Pricing Supplement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "C Rules", under U.S. Treas. Reg.§1.163-5(c)(2)(i)(C) (the "TEFRA C Rules"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that (i) it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance; (ii) it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions and (iii) will not otherwise involve its U.S. office in the offer and sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the TEFRA C Rules.

Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

Prohibition of Sales to EEA Retail Investors

Unless the applicable Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the applicable Pricing Supplement in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision:

(i) the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(c) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and

(ii) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(i) if the applicable Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the applicable Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this section:

(i) the expression an "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

(ii) the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

Prohibition of Sales to UK Retail Investors

Unless the applicable Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the applicable Pricing Supplement in relation thereto to any retail investor in the United Kingdom.

For the purposes of this provision:

(i) the expression "retail investor" means a person who is one (or more) of the following:

  (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; or

  (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA; or

  (c) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(ii) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(i) if the applicable Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Section 86 of the FSMA (a "Public Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the Financial Conduct Authority provided that any such prospectus has subsequently been completed by the applicable Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this section:

(i) the expression an "offer of Notes to the public" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

(ii) the expression "UK Prospectus Regulation" means the Prospectus Regulation as it forms part of domestic law of the UK by virtue of the EUWA.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any of the Notes in the PRC (for such purposes, not including Hong Kong, Macau or Taiwan) or to residents of the PRC, unless such offer or sale is made in compliance with all applicable laws and regulations of the PRC.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

GENERAL INFORMATION

Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the issue of the Notes thereunder. The update of the Programme and the issue of the Notes thereunder was authorised by the resolutions of the Board on 21 February 2023 and the resolution of shareholders on 9 June 2023. PRC counsel to the Issuer have advised that no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Issuer to enter into the Dealer Agreement, the amended and restated deed of covenant dated 26 April 2017 ("**Deed of Covenant**") and the Agency Agreement.

Litigation

As at the date of this Offering Circular, the Bank and other members of the Group are not involved in any litigation, arbitration, administrative proceedings or claims, whether pending or threatened, which have or may have a material adverse effect on the financial condition or results of operations of the Group or which are otherwise material in the context of this Programme.

NDRC Certificate

Where applicable for a relevant tranche of Notes, the Notes will be issued in accordance with the requirements under the NDRC Administrative Measures and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time. The Bank has obtained the NDRC Certificate issued by the NDRC, pursuant to which a general foreign debt quota was granted to the Bank and the Issuer may issue the Notes up to the foreign debt quota allocated to it without further obtaining any pre-issuance registration certificate under the NDRC Administrative Measures. However, the Issuer will still be required to report or cause to be reported the requisite information and documents in connection with such Notes to the NDRC in accordance with the NDRC Administrative Measures and any implementation rules, regulations, certificates, circulars or notices in connection therewith as issued by the NDRC from time to time.

No Material Adverse Change

Since 30 June 2023, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, financial condition, results of operations or prospects of the Issuer and any of its subsidiaries.

Documents Available

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (upon written request), during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal place of business of the Issuer at Flat/Rm 3701-3702, 12-16, 37/F & 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong and at the specified office of the Fiscal Agent, being at the date of this Offering Circular, at Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong:

(i) the Agency Agreement (which includes the form of the Global Notes, the Global Certificates, the Notes in definitive form, the Coupons, the Receipts and the Talons);

(ii) the Deed of Covenant;

(iii) the constitutive documents of the Bank;

(iv) the audited consolidated financial statements of the Group as at and for the years ended 31 December 2021 and 2022;

(v) the unaudited but reviewed condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2023;

(vi) the most recent annual and interim reports (including the financial statements) published by the Bank;

(vii) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the Fiscal Agent as to its holding of Notes and identity); and

(viii) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

Clearing of the Notes

Notes have been accepted for clearance through the Euroclear and Clearstream systems. The relevant ISIN and the Common Code will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

The Legal Entity Identifier of the Issuer is 635400BPCTF8TCGUXG82, and the Legal Entity Identifier of the Bank is 549300HBUGSQD1VCXG94.

Financial Statements

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2021 and 2022, which are included in this Offering Circular, have been audited by PwC and prepared in accordance with IFRS issued by the IASB, as stated in its report appearing herein.

The 2023 Interim Financial Statements, which are included in this Offering Circular, have been prepared in accordance with IAS 34 and reviewed by PwC in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB, as stated in its report appearing herein. The 2023 Interim Financial Statements have been published on the HKSE.

The 2023 Interim Financial Statements are not necessarily indicative of the results that may be expected for the year ended 31 December 2023 or any period thereafter. None of the Arrangers, the Dealers or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of the 2023 Interim Financial Statements set out in this Offering Circular or their respective sufficiency for an assessment of the Bank's or the Group's financial condition and results of operations. Consequently, potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

Listing of Notes

Application has been made to the HKSE for the listing of the Programme under which Notes may be issued by way of debt issues to the Professional Investors only during the 12-month period after the date of this Offering Circular on the HKSE.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets, as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

For Notes listed on the HKSE, the issue price of such Notes will be expressed as a percentage of their nominal amount. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of issue of the relevant Notes. Admission to the HKSE and quotation of any Notes on the HKSE is not to be taken as an indication of the merits of the Programme, the Notes, the Issuer or the Group. The HKSE assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein.

INDEX TO THE FINANCIAL STATEMENTS

Notes:

(1) The unaudited but reviewed condensed consolidated interim financial statements for the six months ended 30 June 2023 are reproduced from the Bank's interim report for the six months ended 30 June 2023. Page references referred to in the report are to pages set out in such interim report. The review report and the condensed consolidated interim financial statements of the Bank have not been specifically prepared for inclusion in this Offering Circular.

(2) The consolidated financial statements of the Bank for the years ended 31 December 2021 and 2022 together with the independent auditor's reports set out herein are reproduced from the Bank's annual reports for the years ended 31 December 2021 and 2022, respectively. Page references referred to in the reports are to pages set out in such annual reports. These independent auditor's reports and the consolidated financial statements of the Bank have not been specifically prepared for inclusion in this Offering Circular.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 155 to 305, which comprises the condensed consolidated statement of financial position of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2023 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2023

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Six months ended 30 June 2023 (unaudited)	2022 (unaudited)
Interest income		**133,080**	131,728
Interest expense		**(81,746)**	(76,905)
Net interest income	1	**51,334**	54,823
Fee and commission income		**13,441**	12,253
Fee and commission expense		**(2,605)**	(2,388)
Net fee and commission income	2	**10,836**	9,865
Net trading gain	3	**2,848**	3,814
Net gain from investment securities	4	**3,609**	3,011
Including: disposals of financial assets measured at amortised cost		**850**	246
Net other operating income	5	**1,241**	1,223
Operating expenses	6	**(22,179)**	(21,947)
Credit impairment losses	7	**(22,210)**	(23,960)
Other impairment losses		**(732)**	(310)
Profit before income tax		**24,747**	26,519
Income tax expense	8	**(775)**	(1,635)
Net profit		**23,972**	24,884
Net profit attributable to:			
Equity holders of the Bank		**23,777**	24,638
Non-controlling interests		**195**	246
Earnings per share (expressed in RMB Yuan)			
Basic and diluted earnings per share	9	**0.46**	0.49

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)
Net profit	**23,972**	24,884
Other comprehensive income of the year, net of tax	**2,721**	(938)
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	**742**	(54)
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	**1,726**	(1,413)
Allowance for impairment losses	**216**	31
Effective hedging portion of gains or losses arising from cash flow hedging instruments	**39**	20
Exchange difference on translating foreign operations	**(2)**	478
Total comprehensive income of the year	**26,693**	23,946
Total comprehensive income attributable to:		
Equity holders of the Bank	**26,302**	23,527
Non-controlling interests	**391**	419

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2023 (unaudited)	31 December 2022 (audited)
ASSETS			
Cash and balances with central bank	10	**354,899**	338,552
Balances with banks and other financial institutions	11	**114,630**	88,705
Precious metals		**27,993**	25,167
Placements with banks and other financial institutions	12	**188,526**	182,434
Derivative financial assets	13	**40,635**	33,878
Financial assets held under resale agreements	14	**10,025**	3,010
Loans and advances to customers	15	**4,322,267**	4,072,982
Financial investments:	16		
– Financial assets at fair value through profit or loss		**386,582**	389,070
– Financial assets at fair value through other comprehensive income		**409,596**	473,211
– Financial assets measured at amortised cost		**1,496,330**	1,363,589
Long-term receivables	17	**115,628**	111,456
Property and equipment	18	**60,204**	58,896
Right-of-use assets	19(1)	**12,752**	13,146
Deferred income tax assets	20	**56,977**	55,701
Other assets	22	**44,407**	45,876
Total assets		**7,641,451**	7,255,673

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2023 (unaudited)	31 December 2022 (audited)
LIABILITIES			
Borrowings from central bank		**180,971**	144,801
Deposits and placements from banks and other financial institutions	24	**1,532,692**	1,479,041
Financial liabilities at fair value through profit or loss		**20,506**	1,915
Borrowings from banks and other financial institutions	25	**108,748**	105,229
Derivative financial liabilities	13	**41,844**	32,675
Financial assets sold under repurchase agreements	26	**131,663**	104,140
Deposits from customers	27	**4,300,243**	4,051,592
Lease liabilities	19(2)	**9,058**	9,426
Provisions	28	**2,345**	2,456
Debt securities issued	29	**628,199**	648,107
Current income tax liabilities		**4,429**	5,040
Deferred income tax liabilities	20	**242**	236
Other liabilities	30	**53,820**	58,201
Total liabilities		**7,014,760**	6,642,859

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2023 (unaudited)	31 December 2022 (audited)
EQUITY			
Share capital	31	**43,782**	43,782
Other equity instrument		**94,962**	94,962
Including: Preference shares	32	**19,975**	19,975
Perpetual bonds	33	**74,987**	74,987
Reserves			
Capital reserve	31	**58,149**	58,149
Other reserves		**1,953**	(612)
Surplus reserve	35	**55,276**	55,276
General reserve	35	**90,673**	90,494
Retained earnings	35	**268,624**	257,877
Total equity attributable to equity holders of the Bank		**613,419**	599,928
Non-controlling interests		**13,272**	12,886
Total equity		**626,691**	612,814
Total liabilities and equity		**7,641,451**	7,255,673

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

Approved and authorised for issue by the Board of Directors on 30 August 2023.

Gao Yingxin
Chairman

Zheng Wanchun
Vice Chairman and President

Wen Qiuju
Director

(Company Seal)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited	Attributable to equity shareholders of the Bank											
			Reserves									
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
Note 4	31	32&33	31	35	35	38		38	35		36	
At 31 December 2022	43,782	94,962	58,149	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814
(I) Net profit	-	-	-	-	-	-	-	-	23,777	23,777	195	23,972
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,348	138	39	-	2,525	196	2,721
Total comprehensive income	-	-	-	-	-	2,348	138	39	23,777	26,302	391	26,693
(III) Profit distribution												
1. Appropriation to general reserve	-	-	-	-	179	-	-	-	(179)	-	-	-
2. Cash dividends	-	-	-	-	-	-	-	-	(9,369)	(9,369)	(4)	(9,373)
3. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(IV) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	40	-	-	(40)	-	-	-
(V) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(2)	(2)	(1)	(3)
At 30 June 2023	43,782	94,962	58,149	55,276	90,673	1,309	604	40	268,624	613,419	13,272	626,691

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited		Attributable to equity shareholders of the Bank											
				Reserves									
		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note 4	31	32&33	31	35	35	38		38	35		36	
At 31 December 2021		43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539
(I) Net profit		–	–	–	–	–	–	–	–	24,638	24,638	246	24,884
(II) Other comprehensive income, net of tax		–	–	–	–	–	(1,470)	339	20	–	(1,111)	173	(938)
Total comprehensive income		–	–	–	–	–	(1,470)	339	20	24,638	23,527	419	23,946
(III) Capital injection and deduction by equity holders													
1. Capital injection by other equity instrument holders		–	4,998	–	–	–	–	–	–	–	4,998	–	4,998
(IV) Profit distribution													
1. Appropriation to general reserve		–	–	–	–	44	–	–	–	(44)	–	–	–
2. Cash dividends		–	–	–	–	–	–	–	–	(9,326)	(9,326)	(81)	(9,407)
3. Perpetual bond interest		–	–	–	–	–	–	–	–	(3,230)	(3,230)	–	(3,230)
(V) Transfers within the owners' equity													
1. Other comprehensive income transferred to retained earnings		–	–	–	–	–	33	–	–	(33)	–	–	–
(VI) Others													
1. Subsidiaries shares repurchased		–	–	–	–	–	–	–	–	(89)	(89)	(46)	(135)
At 30 June 2022		43,782	94,962	58,149	51,843	87,057	(864)	158	13	255,060	590,160	12,551	602,711

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

Audited		Attributable to equity shareholders of the Bank											
				Reserves									
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note 4	31	32&33	31	35	35	38		38	35		36	
At 31 December 2021		43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539
(I) Net profit		–	–	–	–	–	–	–	–	35,269	35,269	508	35,777
(II) Other comprehensive income, net of tax		–	–	–	–	–	(1,781)	647	8	–	(1,126)	280	(846)
Total comprehensive income		–	–	–	–	–	(1,781)	647	8	35,269	34,143	788	34,931
(III) Capital injection and deduction by equity holders													
1. Capital injection by other equity instrument holders		–	4,998	–	–	–	–	–	–	–	4,998	–	4,998
(IV) Profit distribution													
1. Appropriation to surplus reserve		–	–	–	3,433	–	–	–	–	(3,433)	–	–	–
2. Appropriation to general reserve		–	–	–	–	3,481	–	–	–	(3,481)	–	–	–
3. Cash dividends		–	–	–	–	–	–	–	–	(10,202)	(10,202)	(129)	(10,331)
4. Perpetual bond interest		–	–	–	–	–	–	–	–	(3,230)	(3,230)	–	(3,230)
(V) Transfers within the owners' equity													
1. Other comprehensive income transferred to retained earnings		–	–	–	–	–	129	–	–	(129)	–	–	–
(VI) Others													
1. Subsidiaries shares repurchased		–	–	–	–	–	–	–	–	(61)	(61)	(32)	(93)
At 31 December 2022		43,782	94,962	58,149	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Six months ended 30 June 2023 (unaudited)	2022 (unaudited)
Cash flows from operating activities:			
Profit before income tax		**24,747**	26,519
Adjustments for:			
– Credit impairment losses		**22,210**	23,960
– Other impairment losses		**732**	310
– Depreciation and amortisation		**4,137**	3,766
– Losses/(Gains) on disposal of property and equipment and other long-term assets		**28**	(77)
– Losses from changes in fair value		**2,413**	1,688
– Net gains on disposal of investment securities		**(4,910)**	(3,970)
– Interest expense on debt securities issued		**8,350**	10,202
– Interest expense on lease liabilities		**165**	194
– Interest income from financial investments		**(29,791)**	(27,844)
Subtotal		**28,081**	34,748
Changes in operating assets:			
Net decrease/(increase) in balances with central bank, banks and other financial institutions		**10,152**	(1,156)
Net decrease/(increase) in placements with banks and other financial institutions		**7,788**	(33,251)
Net increase in financial assets held under resale agreements		**(7,016)**	(11,177)
Net increase in loans and advances to customers		**(265,774)**	(185,389)
Net increase in financial assets held for trading purposes		**(27,817)**	(4,476)
Net increase in other operating assets		**(20,510)**	(15,404)
Subtotal		**(303,177)**	(250,853)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Note 4	**2023 (unaudited)**	2022 (unaudited)
Cash flows from operating activities: (continued)			
Changes in operating liabilities:			
Net increase/(decrease) in borrowings from central bank		**35,776**	(25,378)
Net increase in deposits from customers		**247,934**	337,869
Net increase/(decrease) in deposits and placements from banks and other financial institutions		**51,500**	(23,933)
Net increase in financial assets sold under repurchase agreements		**27,543**	15,954
Income tax paid		**(3,343)**	(7,677)
Net increase in other operating liabilities		**24,317**	1,192
Subtotal		**383,727**	298,027
Net cash from operating activities		**108,631**	81,922
Cash flows from investing activities:			
Proceeds from sale and redemption of investments and investment income		**833,127**	591,946
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**920**	2,277
Cash payment for investments		**(833,348)**	(704,363)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		**(3,392)**	(8,231)
Net cash from investing activities		**(2,693)**	(118,371)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Six months ended 30 June 2023 (unaudited)	2022 (unaudited)
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		–	4,998
Proceeds from issue of debt securities		506,253	420,256
Repayment of debts		(530,375)	(374,285)
Subsidiaries shares repurchased		(3)	(135)
Interest paid on debt securities and perpetual bonds issued		(7,906)	(8,387)
Dividends paid		(7,564)	(7,682)
Cash payment in other financing activities		(1,822)	(1,854)
Net cash from financing activities		(41,417)	32,911
Effect of exchange rate changes on cash and cash equivalents		1,646	2,837
Net increase/(decrease)in cash and cash equivalents		66,167	(701)
Cash and cash equivalents at 1 January		128,305	163,418
Cash and cash equivalents at 30 June	39	194,472	162,717

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

1 General information

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

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

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

In the interim financial information for the six months ended 30 June 2023, China mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

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

As at 30 June 2023, the Bank has 42 tier-one branches and 33 subsidiaries.

2 Basis of preparation

The interim financial information for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 Summary of material accounting policy information

The interim financial information for the six months ended 30 June 2023 have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and critical accounting estimates and judgements used in preparing the unaudited interim financial information are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022.

The interim financial information should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022, which have been audited.

(Expressed in millions of Renminbi, unless otherwise stated)

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

3.1 Standards and amendments effective in 2023 relevant to and adopted by the Group

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

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules
IFRS 17 and Amendments	Insurance Contracts

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

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

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

Standards/Amendments		Effective date
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred.
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

The Group anticipates that the adoption of the above amendments will not have material impact on the Group's consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements

4.1 Net interest income

	Six months ended 30 June	
	2023	2022
Interest income arising from:		
Loans and advances to customers	**92,399**	94,021
Including: Corporate loans and advances	**46,187**	42,923
Personal loans and advances	**43,710**	47,181
Discounted bills	**2,502**	3,917
Financial investments	**29,791**	27,844
Including: Financial assets measured at amortised cost	**23,038**	21,475
Financial assets at fair value through other comprehensive income	**6,753**	6,369
Placements with banks and other financial institutions	**3,717**	2,810
Long-term receivables	**3,301**	3,403
Balances with central bank	**2,422**	2,386
Financial assets held under resale agreements	**831**	989
Balances with banks and other financial institutions	**619**	275
Subtotal	**133,080**	131,728
Interest expense arising from:		
Deposits from customers	**(48,146)**	(44,247)
Deposits and placements from banks and other financial institutions	**(19,295)**	(15,925)
Debt securities issued	**(8,350)**	(10,202)
Borrowings from central bank	**(2,299)**	(3,913)
Borrowings from banks and other financial institutions and others	**(2,112)**	(1,892)
Financial assets sold under repurchase agreements	**(1,379)**	(532)
Lease liabilities	**(165)**	(194)
Subtotal	**(81,746)**	(76,905)
Net interest income	**51,334**	54,823
Of which:		
Interest income from impaired loans and advances to customers	**693**	558

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.2 Net fee and commission income

	Six months ended 30 June	
	2023	2022
Fee and commission income from		
Bank card services	**5,276**	5,444
Agency services	**4,008**	2,297
Custodian and other fiduciary services	**2,331**	2,725
Settlement services	**1,096**	810
Credit commitments	**556**	691
Others	**174**	286
Subtotal	**13,441**	12,253
Fee and commission expense	**(2,605)**	(2,388)
Net fee and commission income	**10,836**	9,865

4.3 Net trading gain

	Six months ended 30 June	
	2023	2022
Net gain from interest rate products	**2,174**	939
Net gain from foreign exchange and foreign exchange products	**(106)**	2,263
Others	**780**	612
Total	**2,848**	3,814

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.4 Net gain from investment securities

	Six months ended 30 June	
	2023	2022
Financial assets at fair value through profit or loss	**1,405**	1,703
Financial assets at fair value through other comprehensive income	**1,354**	1,062
Financial assets measured at amortised cost	**850**	246
Total	**3,609**	3,011

4.5 Net other operating income

	Six months ended 30 June	
	2023	2022
Operating leases income	**2,162**	2,369
Operating leases costs	**(1,604)**	(1,407)
Others	**683**	261
Total	**1,241**	1,223

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.6 Operating expenses

	Six months ended 30 June	
	2023	2022
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	**11,780**	11,731
– Post-employment benefits-defined contribution plan	**1,320**	1,106
Depreciation and amortisation	**3,118**	2,865
Short-term lease expenses, low-value lease expenses and property management expenses	**459**	414
Tax and surcharges	**1,043**	883
Office expenses, business expenses and others	**4,459**	4,948
Total	**22,179**	21,947

4.7 Credit impairment losses

	Six months ended 30 June	
	2023	2022
Loans and advances to customers	**19,435**	21,475
Financial assets measured at amortised cost	**1,908**	997
Financial assets at fair value through other comprehensive income	**397**	362
Long-term receivables	**529**	1,015
Other receivables	**161**	289
Others	**(220)**	(178)
Total	**22,210**	23,960

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.8 Income tax expense

	Six months ended 30 June	
	2023	2022
Current income tax for the period	**2,732**	3,088
Deferred income tax (Note 4.20)	**(1,957)**	(1,453)
Total	**775**	1,635

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

		Six months ended 30 June	
		2023	2022
Profit before income tax		**24,747**	26,519
Income tax at the tax rate of 25%		**6,187**	6,630
Effect of non-taxable income	(a)	**(5,110)**	(4,594)
Effect of non-deductible expenses	(b)	**517**	91
Effect of interest expense on perpetual debt		**(860)**	(808)
Settlement variance and others		**41**	316
Income tax expense		**775**	1,635

(a) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal government bonds, as well as dividends arising from fund investments, which are exempted from income tax.

(b) It mainly includes tax effects of losses written-off that are not deductible before tax, as well as business entertainment expenses and deposit insurance premiums in excess of their respective pre-tax deductible limits.

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

4.9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue.

The Bank issued non-cumulative preference shares and perpetual bonds in 2019, 2021 and 2022 respectively under the terms and conditions as detailed in Note 4.32 Preference Shares and Note 4.33 Perpetual Bonds.

The conversion feature of the preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2023 and 31 December 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
Profit for the period attributable to equity holders of the Bank	**23,777**	24,638
Less: profit for the period attributable to other equity instrument holders of the Bank	**(3,440)**	(3,230)
Net profit attributable to ordinary equity holders of the Bank	**20,337**	21,408
Weighted average number of ordinary shares in issue (in millions)	**43,782**	43,782
Basic/Diluted earnings per share (in RMB)	**0.46**	0.49

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.10 Cash and balances with central bank

	30 June 2023	31 December 2022
Cash	6,622	6,983
Balances with central bank		
Mandatory reserve deposits	301,158	311,294
Surplus reserve deposits	46,411	19,301
Fiscal deposits and others	586	837
Subtotal	348,155	331,432
Interest accrued	122	137
Total	354,899	338,552

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

As at 30 June 2023 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 7.25% (31 December 2022: 7.50%) and the reserve rate for foreign currency deposits is 6.00% (31 December 2022: 6.00%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

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

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.11 Balances with banks and other financial institutions

	30 June 2023	31 December 2022
China mainland		
– Banks	89,455	67,859
– Other financial institutions	6,113	4,936
Subtotal	95,568	72,795
Overseas		
– Banks	17,417	14,324
– Other financial institutions	1,538	1,508
Subtotal	18,955	15,832
Interest accrued	114	86
Less: allowance for impairment losses	(7)	(8)
Total	114,630	88,705

For the six months ended 30 June 2023 and for the year ended 31 December 2022, the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages were insignificant.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.12 Placements with banks and other financial institutions

	30 June 2023	31 December 2022
China mainland		
– Banks	8,446	8,489
– Other financial institutions	162,111	162,399
Subtotal	170,557	170,888
Overseas		
– Banks	15,402	9,247
– Other financial institutions	3,951	3,806
Subtotal	19,353	13,053
Interest accrued	342	355
Less: allowance for impairment losses	(1,726)	(1,862)
Total	188,526	182,434

(Expressed in millions of Renminbi, unless otherwise stated)

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

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

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

	Six months ended 30 June 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2023	**(585)**	**–**	**(1,277)**	**(1,862)**
Net reversal/(charge)	**171**	**–**	**(35)**	**136**
Balance as at 30 June 2023	**(414)**	**–**	**(1,312)**	**(1,726)**

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(411)	–	(1,178)	(1,589)
Net charge	(172)	–	(99)	(271)
Others	(2)	–	–	(2)
Balance as at 31 December 2022	(585)	–	(1,277)	(1,862)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.13 Derivatives

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

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

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

	30 June 2023			31 December 2022		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange derivatives	**2,344,909**	**36,547**	**(34,961)**	2,311,820	29,129	(26,883)
Interest rate derivatives	**1,653,120**	**2,740**	**(782)**	1,428,101	2,889	(589)
Precious metal derivatives	**71,342**	**1,333**	**(6,097)**	70,434	1,836	(5,186)
Others	**1,013**	**15**	**(4)**	1,456	24	(17)
Total		**40,635**	**(41,844)**		33,878	(32,675)

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.13 Derivatives *(continued)*

(2) Hedges

		30 June 2023		
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	**12,558**	**–**	**(321)**
Fair value hedges				
– Interest rate swap contracts	(b)	**34,450**	**1,727**	**(2)**
Total			**1,727**	**(323)**

		31 December 2022		
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	6,498	150	–
Fair value hedges				
– Interest rate swap contracts	(b)	28,353	1,603	(1)
Total			1,753	(1)

(a) The Group uses foreign exchange swaps to hedge against cash flow fluctuations arising from its exposures to foreign exchange risks. The hedged items include foreign bond investments of the Group, loans and advances denominated in foreign currencies, and foreign currency lending to other banks and financial institutions. For the six months ended 30 June 2023 and for the six months ended 30 June 2022, the accumulative profit or loss recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments was not significant.

(b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the six months ended 30 June 2023 and for the six months ended 30 June 2022, the fair value changes of hedging instruments and the net gains or losses arising from the hedged risk relating to the hedged items, which were the ineffective part of fair value hedging recognised in fair value changes, were not significant.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.13 Derivatives *(continued)*

(3) Credit risk weighted amount

	30 June 2023	31 December 2022
Credit risk weighted amount for counterparty	17,792	20,968

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

4.14 Financial assets held under resale agreements

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

	30 June 2023	31 December 2022
Bonds	9,593	2,549
Others	436	464
Subtotal	10,029	3,013
Interest accrued	24	25
Less: allowance for impairment losses	(28)	(28)
Total	10,025	3,010

For the six months ended 30 June 2023 and for the year ended 31 December 2022, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.15 Loans and advances to customers

		30 June 2023	31 December 2022
Measured at amortised cost:			
Corporate loans and advances			
– Corporate loans		**2,344,032**	2,144,501
Personal loans and advances			
– Micro lending	(1)	**658,984**	621,598
– Residential mortgage		**560,622**	573,274
– Credit cards		**453,285**	462,788
– Others		**82,072**	84,208
Gross balance		**1,754,963**	1,741,868
Less: allowance for impairment losses		**(100,276)**	(97,639)
Subtotal		**3,998,719**	3,788,730
Measured at fair value through other comprehensive income:			
Corporate loans and advances			
– Corporate loans		**5,320**	8,717
– Discounted bills		**286,627**	246,058
Subtotal		**291,947**	254,775
Interest accrued		**31,601**	29,477
Total		**4,322,267**	4,072,982

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.15 Loans and advances to customers *(continued)*

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

	30 June 2023		31 December 2022	
	Amount	**(%)**	Amount	(%)
Unsecured loans	**1,208,355**	**27.52**	1,130,796	27.31
Guaranteed loans	**763,863**	**17.40**	671,437	16.21
Loans secured by				
– Tangible assets other than monetary assets	**1,801,096**	**41.02**	1,750,267	42.27
– Monetary assets	**617,628**	**14.06**	588,644	14.21
Total	**4,390,942**	**100.00**	4,141,144	100.00

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

	30 June 2023				
	Less than 3 months	**3 months to 1 year**	**1 to 3 years**	**More than 3 years**	**Total**
Unsecured loans	**12,112**	**11,150**	**4,504**	**1,391**	**29,157**
Guaranteed loans	**1,366**	**2,187**	**6,612**	**714**	**10,879**
Loans secured by					
– Tangible assets other than monetary assets	**8,826**	**14,275**	**13,115**	**1,229**	**37,445**
– Monetary assets	**279**	**7,463**	**2,135**	**630**	**10,507**
Total	**22,583**	**35,075**	**26,366**	**3,964**	**87,988**
% of total loans and advances to customers	**0.51**	**0.80**	**0.60**	**0.09**	**2.00**

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.15 Loans and advances to customers *(continued)*

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

	31 December 2022				
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured loans	14,037	9,305	4,493	1,111	28,946
Guaranteed loans	2,012	4,917	4,722	893	12,544
Loans secured by					
– Tangible assets other than monetary assets	6,167	11,233	15,827	1,637	34,864
– Monetary assets	292	3,025	2,027	663	6,007
Total	22,508	28,480	27,069	4,304	82,361
% of total loans and advances to customers	0.54	0.69	0.66	0.10	1.99

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.15 Loans and advances to customers *(continued)*

(3) Movements in allowance for impairment losses

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

	Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(23,379)	(33,602)	(40,658)	(97,639)
Transfer:				
to stage 1	(2,552)	2,265	287	–
to stage 2	640	(843)	203	–
to stage 3	206	4,541	(4,747)	–
Net charge	(2,107)	(3,705)	(13,790)	(19,602)
Write-offs and transfer out	–	–	20,149	20,149
Recoveries of amounts previously written off	–	–	(3,832)	(3,832)
Others	(43)	(34)	725	648
Balance as at 30 June 2023	(27,235)	(31,378)	(41,663)	(100,276)

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(20,197)	(37,076)	(46,533)	(103,806)
Transfer:				
to stage 1	(3,802)	3,303	499	–
to stage 2	998	(1,310)	312	–
to stage 3	722	10,456	(11,178)	–
Net charge	(1,016)	(8,858)	(31,812)	(41,686)
Write-offs and transfer out	–	–	53,757	53,757
Recoveries of amounts previously written off	–	–	(7,141)	(7,141)
Others	(84)	(117)	1,438	1,237
Balance as at 31 December 2022	(23,379)	(33,602)	(40,658)	(97,639)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.15 Loans and advances to customers *(continued)*

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

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

	Six months ended 30 June 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2023	**(361)**	**(10)**	**(858)**	**(1,229)**
Net reversal/(charge)	**172**	**(7)**	**2**	**167**
Write-offs	**–**	**–**	**7**	**7**
Balance as at 30 June 2023	**(189)**	**(17)**	**(849)**	**(1,055)**

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(286)	(104)	(912)	(1,302)
Net (charge)/reversal	(75)	94	(28)	(9)
Write-offs	–	–	162	162
Recoveries of amounts previously written off	–	–	(80)	(80)
Balance as at 31 December 2022	(361)	(10)	(858)	(1,229)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
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4 Notes to the consolidated financial statements *(continued)*

4.16 Financial investments

		30 June 2023	31 December 2022
Financial assets at fair value through profit or loss	(1)	**386,582**	389,070
Financial assets at fair value through other comprehensive income	(2)	**409,596**	473,211
Financial assets measured at amortised cost	(3)	**1,496,330**	1,363,589
Total		**2,292,508**	2,225,870

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

		30 June 2023	31 December 2022
Held for trading purpose			
Debt securities			
Government		**1,909**	1,843
Policy banks		**36,458**	3,253
Banks and non-bank financial institutions		**39,433**	16,225
Corporates		**60,126**	78,685
Subtotal		**137,926**	100,006
Equity investments		**1,741**	1,695
Investment funds	(a)	**–**	8,835
Subtotal		**139,667**	110,536

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Financial investments *(continued)*

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

		30 June 2023	31 December 2022
Other financial assets at fair value through profit or loss			
Debt securities			
Corporates		910	3,062
Banks and non-bank financial institutions		8,208	9,573
Equity investments		18,247	19,732
Investment funds	(a)	202,187	226,617
Trust and asset management plans	(b)	16,183	14,185
Others		1,180	5,365
Subtotal		246,915	278,534
Total		386,582	389,070
Listed		145,488	103,000
– Of which: listed in Hong Kong		6,649	7,787
Unlisted		241,094	286,070
Total		386,582	389,070

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

(a) As at 30 June 2023 and 31 December 2022, the underlying investment funds primarily include public bond funds and public money market funds.

(b) As at 30 June 2023 and 31 December 2022, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (9)).

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Financial investments *(continued)*

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

	30 June 2023	31 December 2022
Debt securities		
Government	108,339	142,060
Policy banks	18,439	27,957
Banks and non-bank financial institutions	157,542	163,628
Corporates	111,081	123,856
Subtotal	395,401	457,501
Equity investments	9,832	10,592
Interest accrued	4,363	5,118
Total	409,596	473,211
Listed	374,408	438,614
– Of which: listed in Hong Kong	41,980	49,013
Unlisted	30,825	29,479
Interest accrued	4,363	5,118
Total	409,596	473,211

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the six months ended 30 June 2023, dividend income of RMB0.19 million (for the six months ended 30 June 2022: RMB1.58 million) recognised for such equity investments was included in the profit or loss. The amount transferred from other comprehensive income to retained earnings on disposal of such equity instruments was insignificant for the six months ended 30 June 2023 (for the six months ended 30 June 2022: insignificant).

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Financial investments *(continued)*

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

Fair value

	30 June 2023	31 December 2022
Debt securities		
Cost	403,193	469,061
Cumulative amount of change in fair value	(3,429)	(6,442)
Fair value	399,764	462,619
Equity investment		
Cost	6,859	8,270
Cumulative amount of change in fair value	2,973	2,322
Fair value	9,832	10,592
Total	409,596	473,211

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Financial investments *(continued)*

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

Movements in allowance for impairment losses

	Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(749)	(14)	(1,058)	(1,821)
Transfer:				
to stage 2	–	–	–	–
to stage 3	–	–	–	–
Net reversal/(charge)	26	(71)	(352)	(397)
Write-offs and transfer out	–	–	85	85
Others	(74)	–	–	(74)
Balance as at 30 June 2023	(797)	(85)	(1,325)	(2,207)

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(656)	(84)	(1,833)	(2,573)
Transfer:				
to stage 2	1	(1)	–	–
to stage 3	2	78	(80)	–
Net charge	(57)	(7)	(306)	(370)
Write-offs and transfer out	–	–	1,161	1,161
Others	(39)	–	–	(39)
Balance as at 31 December 2022	(749)	(14)	(1,058)	(1,821)

As at 30 June 2023, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB993 million (31 December 2022: RMB1,139 million), with allowance for impairment losses of RMB1,325 million (31 December 2022: RMB1,058 million).

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Financial investments *(continued)*

(3) Financial assets measured at amortised cost

		30 June 2023	31 December 2022
Debt securities			
Government		**1,080,641**	987,915
Policy banks		**72,809**	74,922
Banking and non-banking financial institutions		**34,381**	30,472
Corporates		**246,571**	199,825
Subtotal		**1,434,402**	1,293,134
Trust and asset management plans	(a)	**40,406**	49,789
Debt financing plans		**9,948**	11,398
Others		**3,581**	2,708
Interest accrued		**18,722**	17,852
Less: allowance for impairment losses		**(10,729)**	(11,292)
Total		**1,496,330**	1,363,589
Listed		**1,414,314**	1,284,826
– Of which: listed in Hong Kong		**10,397**	6,384
Unlisted		**74,023**	72,203
Interest accrued		**18,722**	17,852
Less: allowance for impairment losses		**(10,729)**	(11,292)
Total		**1,496,330**	1,363,589

(a) As at 30 June 2023 and 31 December 2022, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2 (9)).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Financial investments *(continued)*

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

Movements in allowance for impairment losses

	Six months ended June 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2023	**(1,500)**	**(925)**	**(8,867)**	**(11,292)**
Transfer				
to stage 2	**–**	**–**	**–**	**–**
to stage 3	**–**	**116**	**(116)**	**–**
Net charge	**(627)**	**(194)**	**(1,087)**	**(1,908)**
Write-offs and transfer out	**–**	**–**	**1,956**	**1,956**
Recovered after write-off	**–**	**–**	**(99)**	**(99)**
Others	**145**	**–**	**469**	**614**
Balance as at 30 June 2023	**(1,982)**	**(1,003)**	**(7,744)**	**(10,729)**

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,809)	(496)	(12,321)	(14,626)
Transfer				
to stage 2	58	(58)	–	–
to stage 3	6	67	(73)	–
Net reversal/(charge)	343	(438)	(3,943)	(4,038)
Write-offs and transfer out	–	–	8,201	8,201
Recovered after write-off	–	–	(700)	(700)
Others	(98)	–	(31)	(129)
Balance as at 31 December 2022	(1,500)	(925)	(8,867)	(11,292)

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.17 Long-term receivables

		30 June 2023	31 December 2022
Finance lease receivables	(1)	**134,256**	130,025
Less: unearned finance lease income		**(15,690)**	(15,088)
Present value of minimum finance lease receivables		**118,566**	114,937
Less: allowance for impairment losses	(2)	**(2,938)**	(3,481)
Total		**115,628**	111,456

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

		30 June 2023	31 December 2022
Indefinite	(a)	**9,087**	8,889
Less than 1 year		**57,278**	52,666
1 year to 2 years		**35,407**	35,586
2 years to 3 years		**15,220**	17,127
3 years to 5 years		**10,316**	9,089
More than 5 years		**6,948**	6,668
Total		**134,256**	130,025

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

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.17 Long-term receivables *(continued)*

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

	Six months ended 30 June 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2023	**(642)**	**(862)**	**(1,977)**	**(3,481)**
Transfer:				
to stage 1	**(42)**	**35**	**7**	**–**
to stage 2	**5**	**(18)**	**13**	**–**
to stage 3	**4**	**120**	**(124)**	**–**
Net reversal/(charge)	**92**	**(27)**	**(594)**	**(529)**
Write-offs and transfer out	**–**	**–**	**1,112**	**1,112**
Others	**–**	**–**	**(40)**	**(40)**
Balance as at 30 June 2023	**(583)**	**(752)**	**(1,603)**	**(2,938)**

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,503)	(1,250)	(1,410)	(4,163)
Transfer:				
to stage 1	(57)	35	22	–
to stage 2	128	(182)	54	–
to stage 3	66	325	(391)	–
Net reversal/(charge)	722	210	(2,832)	(1,900)
Write-offs and transfer out	–	–	2,652	2,652
Others	2	–	(72)	(70)
Balance as at 31 December 2022	(642)	(862)	(1,977)	(3,481)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4.18 Property and equipment

	30 June 2023	31 December 2022
Property and equipment	60,201	58,889
Property and equipment to be disposed	3	7
Total	60,204	58,896

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2023	22,469	4,007	9,301	467	42,488	7,921	86,653
Increase	5	257	879	17	1,144	275	2,577
Decrease and other movement	–	(176)	(208)	(11)	(140)	–	(535)
Balance as at 30 June 2023	22,474	4,088	9,972	473	43,492	8,196	88,695
Accumulated depreciation							
Balance as at 1 January 2023	(6,456)	(2,775)	(7,027)	(390)	(10,452)	–	(27,100)
Increase	(359)	(260)	(405)	(11)	(1,019)	–	(2,054)
Decrease and other movement	1	171	195	10	955	–	1,332
Balance as at 30 June 2023	(6,814)	(2,864)	(7,237)	(391)	(10,516)	–	(27,822)
Impairment losses							
Balance as at 1 January 2023	–	–	–	–	(594)	(70)	(664)
Increase	(1)	–	(1)	–	–	(2)	(4)
Decrease and other movement	–	–	–	–	(4)	–	(4)
Balance as at 30 June 2023	(1)	–	(1)	–	(598)	(72)	(672)
Carrying amount							
Balance as at 1 January 2023	16,013	1,232	2,274	77	31,442	7,851	58,889
Balance as at 30 June 2023	15,659	1,224	2,734	82	32,378	8,124	60,201

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For the six months ended 30 June 2023
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4 Notes to the consolidated financial statements *(continued)*

4.18 Property and equipment *(continued)*

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2022	22,249	4,135	8,705	470	38,315	7,523	81,397
Increase	238	519	1,020	22	3,418	1,193	6,410
CIP transfers	3	–	–	–	–	(3)	–
Decrease and other movement	(21)	(647)	(424)	(25)	755	(792)	(1,154)
Balance as at 31 December 2022	22,469	4,007	9,301	467	42,488	7,921	86,653
Accumulated depreciation							
Balance as at 1 January 2022	(5,729)	(2,860)	(6,860)	(392)	(8,272)	–	(24,113)
Increase	(729)	(520)	(567)	(22)	(1,909)	–	(3,747)
Decrease and other movement	2	605	400	24	(271)	–	760
Balance as at 31 December 2022	(6,456)	(2,775)	(7,027)	(390)	(10,452)	–	(27,100)
Impairment losses							
Balance as at 1 January 2022	–	–	–	–	(503)	–	(503)
Increase	–	–	–	–	(44)	(70)	(114)
Decrease and other movement	–	–	–	–	(47)	–	(47)
Balance as at 31 December 2022	–	–	–	–	(594)	(70)	(664)
Carrying amount							
Balance as at 1 January 2022	16,520	1,275	1,845	78	29,540	7,523	56,781
Balance as at 31 December 2022	16,013	1,232	2,274	77	31,442	7,851	58,889

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Property and equipment *(continued)*

As at 30 June 2023 and 31 December 2022, the Group did not have any property and equipment which were acquired by means of finance lease or held for sale.

As at 30 June 2023, there were still certain properties and buildings, with a carrying value of RMB445 million (31 December 2022: RMB458 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

4.19 Lease contract

(1) Right-of-use assets

	Buildings	Office equipment and others	Land use rights	Total
Original cost				
Balance as at 1 January 2023	18,646	71	4,646	23,363
Increase	1,414	3	–	1,417
Decrease	(1,569)	(5)	–	(1,574)
Balance as at 30 June 2023	18,491	69	4,646	23,206
Accumulated depreciation/ amortization				
Balance as at 1 January 2023	(8,799)	(25)	(1,393)	(10,217)
Increase	(1,460)	(4)	(58)	(1,522)
Decrease	1,281	4	–	1,285
Balance as at 30 June 2023	(8,978)	(25)	(1,451)	(10,454)
Carrying amount				
Balance as at 1 January 2023	9,847	46	3,253	13,146
Balance as at 30 June 2023	9,513	44	3,195	12,752

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

4.19 Lease contract *(continued)*

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

	Buildings	Office equipment and others	Land use rights	Total
Original cost				
Balance as at 1 January 2022	17,677	64	4,646	22,387
Increase	2,944	16	–	2,960
Decrease	(1,975)	(9)	–	(1,984)
Balance as at 31 December 2022	18,646	71	4,646	23,363
Accumulated depreciation/ amortization				
Balance as at 1 January 2022	(6,981)	(24)	(1,277)	(8,282)
Increase	(3,067)	(8)	(116)	(3,191)
Decrease	1,249	7	–	1,256
Balance as at 31 December 2022	(8,799)	(25)	(1,393)	(10,217)
Carrying amount				
Balance as at 1 January 2022	10,696	40	3,369	14,105
Balance as at 31 December 2022	9,847	46	3,253	13,146

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.19 Lease contract *(continued)*

(2) Lease liabilities

	30 June 2023	31 December 2022
Lease liabilities	**9,058**	9,426

As at 30 June 2023, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB10 million (31 December 2022: RMB71 million).

4.20 Deferred income tax assets and liabilities

(1) Deferred income tax items

	30 June 2023	31 December 2022
Deferred income tax assets	**56,977**	55,701
Deferred income tax liabilities	**(242)**	(236)
Total	**56,735**	55,465

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

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

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

	30 June 2023		31 December 2022	
	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	54,762	219,056	51,775	207,280
Employee benefits payable	2,771	11,084	3,502	14,009
Fair value losses of derivatives	10,380	41,521	8,168	32,674
Fair value losses of financial assets at fair value through other comprehensive loss	321	1,286	802	3,209
Fair value losses of financial assets at fair value through profit or loss	2,263	9,047	2,099	8,394
Lease liabilities	2,262	9,071	2,355	9,444
Others	356	1,452	363	1,477
Subtotal	73,115	292,517	69,064	276,487
Deferred income tax liabilities				
Fair value gains of derivatives	(9,693)	(38,774)	(7,989)	(31,958)
Fair value gains of financial assets at fair value through other comprehensive income	(985)	(3,940)	(779)	(3,117)
Fair value losses of financial assets at fair value through profit or income	(3,135)	(12,664)	(2,156)	(8,866)
Right-of-use assets	(2,387)	(9,570)	(2,472)	(9,911)
Others	(180)	(660)	(203)	(815)
Subtotal	(16,380)	(65,608)	(13,599)	(54,667)
Deferred income tax assets, net	56,735	226,909	55,465	221,820

(Expressed in millions of Renminbi, unless otherwise stated)

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

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

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

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
Balance as at 1 January 2023	**51,775**	**11,069**	**6,220**	**69,064**	**(13,599)**
Recognised in profit or loss	**2,987**	**2,376**	**(831)**	**4,532**	**(2,575)**
Recognised in other comprehensive income	**–**	**(481)**	**–**	**(481)**	**(206)**
Balance as at 30 June 2023	**54,762**	**12,964**	**5,389**	**73,115**	**(16,380)**
Balance as at 1 January 2022	49,521	7,090	6,104	62,715	(11,058)
Recognised in profit or loss	2,254	3,283	116	5,653	(2,083)
Recognised in other comprehensive income	–	696	–	696	(458)
Balance as at 31 December 2022	51,775	11,069	6,220	69,064	(13,599)

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

4.21 Investment in subsidiaries

(1) Directly held subsidiaries

	30 June 2023	31 December 2022
Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing")	**3,302**	3,302
CMBC International Holdings Limited ("CMBC International")	**3,494**	3,494
Minsheng Royal Fund Limited ("Minsheng Royal Fund")	**190**	190
CMBC Wealth Management Co., Ltd. ("CMBC Wealth Management")	**5,000**	5,000
Pengzhou Rural Bank Co., Ltd. ("Pengzhou Rural Bank")	**20**	20
Cixi Rural Bank Co., Ltd. ("Cixi Rural Bank")	**107**	107
Shanghai Songjiang Minsheng Rural Bank Co., Ltd. ("Songjiang Rural Bank")	**70**	70
Qijiang Rural Bank Co., Ltd. ("Qijiang Rural Bank")	**30**	30
Tongnan Rural Bank Co., Ltd. ("Tongnan Rural Bank")	**25**	25
Meihekou Rural Bank Co., Ltd. ("Meihekou Rural Bank")	**169**	169
Ziyang Rural Bank Co., Ltd. ("Ziyang Rural Bank")	**172**	172
Wuhan Jiangxia Minsheng Rural Bank Co., Ltd. ("Jiangxia Rural Bank")	**41**	41
Changyuan Rural Bank Co., Ltd. ("Changyuan Rural Bank")	**26**	26
Yidu Rural Bank Co., Ltd. ("Yidu Rural Bank")	**26**	26
Shanghai Jiading Minsheng Rural Bank Co., Ltd. ("Jiading Rural Bank")	**102**	102
Zhongxiang Rural Bank Co., Ltd. ("Zhongxiang Rural Bank")	**36**	36
Penglai Rural Bank Co., Ltd. ("Penglai Rural Bank")	**51**	51
Anxi Rural Bank Co., Ltd. ("Anxi Rural Bank")	**74**	74
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	**52**	52
Taicang Rural Bank Co., Ltd. ("Taicang Rural Bank")	**76**	76

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

4.21 Investment in subsidiaries *(continued)*

(1) Directly held subsidiaries *(continued)*

	30 June 2023	31 December 2022
Ningjin Rural Bank Co., Ltd. ("Ningjin Rural Bank")	20	20
Zhangpu Rural Bank Co., Ltd. ("Zhangpu Rural Bank")	25	25
Puer Rural Bank Co., Ltd. ("Puer Rural Bank")	15	15
Jinghong Rural Bank Co., Ltd. ("Jinghong Rural Bank")	60	60
Zhidan Rural Bank Co., Ltd. ("Zhidan Rural Bank")	7	7
Ningguo Rural Bank Co., Ltd. ("Ningguo Rural Bank")	20	20
Yulin Yuyang Minsheng Rural Bank Co., Ltd. ("Yuyang Rural Bank")	25	25
Guichi Rural Bank Co., Ltd. ("Guichi Rural Bank")	26	26
Tiantai Rural Bank Co., Ltd. ("Tiantai Rural Bank")	31	31
Tianchang Rural Bank Co., Ltd. ("Tianchang Rural Bank")	20	20
Tengchong Rural Bank Co., Ltd. ("Tengchong Rural Bank")	20	20
Xiang'an Rural Bank Co., Ltd. ("Xiang'an Rural Bank")	36	36
Linzhi Rural Bank Co., Ltd. ("Linzhi Rural Bank")	45	13
Total	13,413	13,381

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For the six months ended 30 June 2023
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4 Notes to the consolidated financial statements *(continued)*

4.21 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries

Name		Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing		Tianjin China	Leasing	RMB 5,095 million	54.96%	54.96%
CMBC International		Hong Kong China	Investment banking	HKD 4,207 million	100.00%	100.00%
Minsheng Royal Fund		Guangdong China	Fund management	RMB 300 million	63.33%	63.33%
CMBC Wealth Management		Beijing China	Wealth Management	RMB 5,000 million	100.00%	100.00%
Pengzhou Rural Bank	(a)	Sichuan China	Commercial bank	RMB 55 million	36.36%	36.36%
Cixi Rural Bank		Zhejiang China	Commercial bank	RMB 189 million	64.68%	64.68%
Songjiang Rural Bank	(a)	Shanghai China	Commercial bank	RMB 150 million	35.00%	35.00%
Qijiang Rural Bank	(b)	Chongqing China	Commercial bank	RMB 62 million	48.73%	51.27%
Tongnan Rural Bank	(a)	Chongqing China	Commercial bank	RMB 50 million	50.00%	50.00%
Meihekou Rural Bank		Jilin China	Commercial bank	RMB 193 million	95.36%	95.36%
Ziyang Rural Bank		Sichuan China	Commercial bank	RMB 211 million	81.41%	81.41%
Jiangxia Rural Bank		Hubei China	Commercial bank	RMB 86 million	51.00%	51.00%
Changyuan Rural Bank		Henan China	Commercial bank	RMB 50 million	51.00%	51.00%
Yidu Rural Bank		Hubei China	Commercial bank	RMB 52 million	51.00%	51.00%

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.21 Investment in subsidiaries *(continued)*

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

Name	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Jiading Rural Bank	Shanghai China	Commercial bank	RMB 200 million	51.00%	51.00%
Zhongxiang Rural Bank	Hubei China	Commercial bank	RMB 70 million	51.00%	51.00%
Penglai Rural Bank	Shandong China	Commercial bank	RMB 100 million	51.00%	51.00%
Anxi Rural Bank	Fujian China	Commercial bank	RMB 128 million	57.99%	57.99%
Funing Rural Bank	Jiangsu China	Commercial bank	RMB 85 million	51.00%	51.00%
Taicang Rural Bank	Jiangsu China	Commercial bank	RMB 135 million	51.00%	51.00%
Ningjin Rural Bank	Hebei China	Commercial bank	RMB 40 million	51.00%	51.00%
Zhangpu Rural Bank	Fujian China	Commercial bank	RMB 50 million	51.00%	51.00%
Puer Rural Bank	Yunnan China	Commercial bank	RMB 30 million	51.00%	51.00%
Jinghong Rural Bank	Yunnan China	Commercial bank	RMB 75 million	80.40%	80.40%
Zhidan Rural Bank	Shaanxi China	Commercial bank	RMB 15 million	51.00%	51.00%
Ningguo Rural Bank	Anhui China	Commercial bank	RMB 40 million	51.00%	51.00%
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB 54 million	51.00%	51.00%
Guichi Rural Bank	Anhui China	Commercial bank	RMB 53 million	51.00%	51.00%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.21 Investment in subsidiaries *(continued)*

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

Name		Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Tiantai Rural Bank		Zhejiang China	Commercial bank	RMB 60 million	51.00%	51.00%
Tianchang Rural Bank		Anhui China	Commercial bank	RMB 44 million	51.00%	51.00%
Tengchong Rural Bank		Yunnan China	Commercial bank	RMB 52 million	51.00%	51.00%
Xiang'an Rural Bank		Fujian China	Commercial bank	RMB 77 million	51.00%	51.00%
Linzhi Rural Bank	(c)	Tibet China	Commercial bank	RMB 25 million	86.11%	86.11%

(a) Although the Bank holds half or less than half of the voting rights in these rural banks, the Bank has the majority of the seats in their boards of directors, which enables the Bank to govern their operating policies. These companies are regarded as the Bank's subsidiaries and have been consolidated in these financial statements.

(b) Some natural person shareholders and the Bank signed a concerted action agreement. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

(c) In June 2023, Linzhi Rural Bank confirmed the capital injection from the Bank by RMB31.60 million. After the capital injection, the Bank's ownership of equity shares and voting rights of Linzhi Rural Bank increased to 86.11%. As at 30 June 2023, the change of business registration did not complete and the registered capital of Linzhi Rural Bank was kept as RMB25 million.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Other assets

		30 June 2023	31 December 2022
Interest receivable	(1)	**8,020**	7,274
Prepayments for leased assets	(2)	**5,535**	5,263
Items in the process of clearance and settlement		**5,002**	6,633
Other debt receivables and advances		**4,755**	4,715
Foreclosed assets	(3)	**4,565**	5,479
Fee and commission receivable		**3,647**	4,153
Investment properties		**2,993**	3,006
Intangible assets	(4)	**2,544**	2,301
Long-term deferred expenses		**1,918**	1,413
Prepayment		**1,860**	1,855
Legal costs receivable		**1,335**	1,277
Continuously involved assets		**1,038**	1,038
Operating lease receivable		**309**	168
Goodwill	(5)	**212**	205
Others		**4,954**	5,687
Subtotal		**48,687**	50,467
Less: allowance for impairment losses			
– Repossessed assets		**(589)**	(959)
– Others		**(3,691)**	(3,632)
Total		**44,407**	45,876

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Other assets *(continued)*

(1) In accordance with the requirements of the Notice on the Revision and Issuance of the Format of Financial Statements of Financial Enterprises in 2018, the interests of financial instruments at the reporting date are listed in the financial instruments using the effective interest rate method. Interests of relevant financial instruments which were past due but have not been collected at the reporting date are listed in other assets.

(2) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

(3) Foreclosed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB1,849 million for the six months ended 30 June 2023 (Six months ended 30 June 2022: RMB373 million).

(4) Intangible assets

	Six months ended 30 June 2023	Year ended 31 December 2022
Cost		
Balance as at 1 January	7,790	6,659
Increase	687	1,131
Balance as at 30 June/31 December	8,477	7,790
Accumulated amortization		
Balance as at 1 January	(5,489)	(4,742)
Increase	(444)	(747)
Balance as at 30 June/31 December	(5,933)	(5,489)
Carrying amount		
Balance as at 1 January	2,301	1,917
Balance as at 30 June/31 December	2,544	2,301

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Other assets *(continued)*

(5) Goodwill arising from CMBC International

	Six months ended 30 June 2023	Year ended 31 December 2022
Balance as at 1 January	205	188
Exchange difference	7	17
Balance as at 30 June/31 December	212	205

As at 30 June 2023 and 31 December 2022, the Group was not aware of any indicators for the possibility of goodwill impairment, and no impairment loss was recognised.

4.23 Allowances for impairment losses

		Six months ended 30 June 2023				
	Note 4	Balances as at 1 January 2023	Net (charge)/ Reversal for the period	Write-offs and transfer out	Other	Balances as at 30 June 2023
Balances with banks and other financial institutions	11	8	–	(1)	–	7
Placements with banks and other financial institutions	12	1,862	(136)	–	–	1,726
Financial assets held under resale agreements	14	28	–	–	–	28
Loans and advances to customers	15	98,868	19,435	(20,156)	3,184	101,331
Financial investments	16	13,113	2,305	(2,041)	(441)	12,936
Long-term receivables	17	3,481	529	(1,112)	40	2,938
Property and equipment	18	664	2	–	6	672
Other assets	22	4,591	889	(1,214)	14	4,280
Total		122,615	23,024	(24,524)	2,803	123,918

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.23 Allowances for impairment losses *(continued)*

		Year ended 31 December 2022				
	Note 4	Balances as at 1 January 2022	Net charge for the year	Write-offs and transfer out	Other	Balances as at 31 December 2022
Balances with banks and other financial institutions	11	8	1	–	(1)	8
Placements with banks and other financial institutions	12	1,589	271	–	2	1,862
Financial assets held under resale agreements	14	20	8	–	–	28
Loans and advances to customers	15	105,108	41,695	(53,919)	5,984	98,868
Financial investments	16	17,199	4,408	(9,362)	868	13,113
Long-term receivables	17	4,163	1,900	(2,652)	70	3,481
Property and equipment	18	503	114	–	47	664
Other assets	22	4,064	1,043	(553)	37	4,591
Total		132,654	49,440	(66,486)	7,007	122,615

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.24 Deposits and placements from banks and other financial institutions

	30 June 2023	31 December 2022
China mainland		
Banks	**194,892**	196,106
Other financial institutions	**1,243,233**	1,200,610
Overseas		
Banks	**49,039**	38,617
Other financial institutions	**36,996**	37,327
Subtotal	**1,524,160**	1,472,660
Interest accrued	**8,532**	6,381
Total	**1,532,692**	1,479,041

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.25 Borrowings from banks and other financial institutions

	30 June 2023	31 December 2022
Unsecured borrowings	90,344	88,333
Borrowings secured by		
– Tangible assets and monetary assets	17,624	16,323
Subtotal	107,968	104,656
Interest accrued	780	573
Total	108,748	105,229

As at 30 June 2023 and 31 December 2022, the secured borrowings were secured by property and equipment and finance lease receivables as collateral. The above collateral has been included in the disclosure of assets pledged (Note 6.3(1)).

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.26 Financial assets sold under repurchase agreements

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

	30 June 2023	31 December 2022
Bonds	**78,151**	55,617
Bills rediscounted	**53,172**	48,163
Subtotal	**131,323**	103,780
Interest accrued	**340**	360
Total	**131,663**	104,140

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.27 Deposits from customers

	30 June 2023	31 December 2022
Demand deposits		
– Corporate customers	1,091,365	1,014,133
– Personal customers	322,802	289,671
Time deposits (including call deposits)		
– Corporate customers	1,950,713	1,952,242
– Personal customers	866,742	730,873
Certificates of deposit	8,366	4,159
Outward remittance and remittance payables	1,473	2,449
Subtotal	4,241,461	3,993,527
Interest accrued	58,782	58,065
Total	4,300,243	4,051,592

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

	30 June 2023	31 December 2022
Pledged deposits for bank acceptances	194,270	184,557
Pledged deposits for letters of credit and guarantees	22,185	16,429
Other pledged deposits	40,132	49,234
Total	256,587	250,220

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.28 Provisions

	30 June 2023	31 December 2022
Allowance for credit commitments(1)	1,770	1,844
Litigation provision	469	517
Others	106	95
Total	2,345	2,456

(1) The movements of allowance for credit commitments are as follows:

	Six months ended 30 June 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(1,424)	(344)	(76)	(1,844)
Transfer:				
to stage 1	(89)	75	14	–
to stage 2	37	(41)	4	–
to stage 3	4	96	(100)	–
Net reversal/(charge)	136	(204)	142	74
Balance as at 30 June 2023	(1,336)	(418)	(16)	(1,770)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.28 Provisions *(continued)*

(1) The movements of allowance for credit commitments are as follows: *(continued)*

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,227)	(524)	(83)	(1,834)
Transfer:				
to stage 1	(133)	109	24	–
to stage 2	29	(33)	4	–
to stage 3	12	84	(96)	–
Net (charge)/reversal	(102)	20	75	(7)
Other movements	(3)	–	–	(3)
Balance as at 31 December 2022	(1,424)	(344)	(76)	(1,844)

4.29 Debt securities issued

		30 June 2023	31 December 2022
Certificates of interbank deposit		**427,431**	446,888
Financial bonds	(1)	**103,179**	99,992
Tier-two capital bonds	(2)	**89,991**	89,991
Medium-term and short-term notes	(3)	**5,589**	7,658
Subtotal		**626,190**	644,529
Interest accrued		**2,009**	3,578
Total		**628,199**	648,107

For the six months ended 30 June 2023 and for the year ended 31 December 2022, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.29 Debt securities issued *(continued)*

(1) Financial bonds

		30 June 2023	31 December 2022
RMB 20 billion-3-year fixed rate financial bonds 2023	(a)	**19,996**	–
RMB 2 billion-3-year fixed rate financial bonds 2023	(b)	**1,595**	–
RMB 2 billion-3-year fixed rate financial bonds 2023	(c)	**1,594**	–
RMB 20 billion-3-year fixed rate financial bonds 2022	(d)	**19,999**	19,998
RMB 30 billion-3-year fixed rate financial bonds 2021	(e)	**29,998**	29,997
RMB 30 billion-3-year fixed rate financial bonds 2021	(f)	**29,997**	29,997
RMB 20 billion-3-year fixed rate financial bonds 2020	(g)	**–**	20,000
Total		**103,179**	99,992

(a) RMB20 billion worth of fixed-rate financial bonds were issued on 18 May 2023, with a term of three years, and a fixed coupon rate of 2.68% per annum.

(b) RMB2 billion worth of fixed-rate financial bonds were issued on 20 March 2023, with a term of three years, and a fixed coupon rate of 3.40% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB0.40 billion.

(c) RMB2 billion worth of fixed-rate financial bonds were issued on 25 May 2023, with a term of three years, and a fixed coupon rate of 3.27% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB0.40 billion.

(d) RMB20 billion worth of fixed-rate financial bonds were issued on 7 April 2022, with a term of three years, and a fixed coupon rate of 2.95% per annum.

(e) RMB30 billion worth of fixed-rate financial bonds were issued on 8 December 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.

(f) RMB30 billion worth of fixed-rate financial bonds were issued on 10 November 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.

(g) RMB20 billion worth of fixed-rate financial bonds were issued on 18 March 2020, with a term of three years, and a fixed coupon rate of 2.75% per annum. The Bank repaid all of them on 20 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
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4 Notes to the consolidated financial statements *(continued)*

4.29 Debt securities issued *(continued)*

(2) Tier-two capital bonds

		30 June 2023	31 December 2022
RMB 50 billion-10-year fixed rate tier-two capital bonds 2020	(a)	**49,996**	49,996
RMB 40 billion-10-year fixed rate tier-two capital bonds 2019 1st tranche	(b)	**39,995**	39,995
Total		**89,991**	89,991

(a) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued on 24 June 2020. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.

(b) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued on 27 February 2019. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(3) Medium-term and short-term notes

		30 June 2023	31 December 2022
2023-2-year medium-term notes	(a)	**1,978**	–
2020-3-year medium-term notes	(b)	**3,611**	3,480
2018-5-year medium-term notes	(c)	**–**	4,178
Total		**5,589**	7,658

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

(b) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued on 22 October 2020, with a term of 3 years. The coupon rate is 6.17%.

(c) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued on 9 March 2018, with a term of 5 years. The coupon rate is 5.77%. The Bank repaid all of them on 9 March 2023.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.30 Other liabilities

		30 June 2023	31 December 2022
Items in the process of clearance and settlement		**13,146**	16,134
Employee benefits payable	(1)	**11,341**	14,414
Lease payments received in advance		**7,019**	7,225
Notes payable		**5,304**	4,679
Other tax payable	(2)	**3,732**	4,039
Output value added tax to be transferred		**2,262**	2,211
Dividend payable		**1,811**	2
Other payable		**1,244**	1,334
Accrued expenses		**1,188**	942
Continuously involved liabilities		**1,038**	1,038
Payable for long-term assets		**539**	495
Deferred fee and commission income		**296**	231
Intermediate collection and payment		**274**	251
Others		**4,626**	5,206
Total		**53,820**	58,201

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.30 Other liabilities *(continued)*

(1) Employee benefits payable

	1 January 2023	Increase	Decrease	30 June 2023
Short-term employee benefits				
– Salaries, bonuses and allowances	13,766	9,578	(12,754)	10,590
– Staff welfare fees	–	579	(577)	2
– Social insurance(a) and supplementary insurance	176	557	(536)	197
– Housing fund	129	807	(780)	156
– Labour union fee, staff and workers' education fee	41	259	(215)	85
Subtotal	14,112	11,780	(14,862)	11,030
Post-employment benefits-defined contribution plans				
– Basic pension insurance plans	159	965	(941)	183
– Unemployment insurance	21	32	(31)	22
– Annuity scheme(b)	122	323	(339)	106
Subtotal	302	1,320	(1,311)	311
Total	14,414	13,100	(16,173)	11,341

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.30 Other liabilities *(continued)*

(1) Employee benefits payable *(continued)*

	1 January 2022	Increase	Decrease	31 December 2022
Short-term employee benefits				
– Salaries, bonuses and allowances	12,395	24,484	(23,113)	13,766
– Staff welfare fees	–	1,399	(1,399)	–
– Social insurance (a) and supplementary insurance	160	1,064	(1,048)	176
– Housing fund	98	1,504	(1,473)	129
– Labour union fee, staff and workers' education fee	40	553	(552)	41
Subtotal	12,693	29,004	(27,585)	14,112
Post-employment benefits-defined contribution plans				
– Basic pension insurance plans	124	1,742	(1,707)	159
– Unemployment insurance	19	59	(57)	21
– Annuity scheme (b)	71	650	(599)	122
Subtotal	214	2,451	(2,363)	302
Total	12,907	31,455	(29,948)	14,414

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

(b) For the six months ended 30 June 2023, the contributions to the annuity schemes of the Bank and those subsidiaries were calculated at 3% of the employees' total annual salary (2022: 3%).

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

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.30 Other liabilities *(continued)*

(2) Other tax payable

	30 June 2023	31 December 2022
Value added tax	2,952	2,967
Others	780	1,072
Total	3,732	4,039

4.31 Share capital and capital reserve

	30 June 2023	31 December 2022
Ordinary shares listed in China mainland (A shares)	35,462	35,462
Ordinary shares listed in Hong Kong (H shares)	8,320	8,320
Total shares	43,782	43,782

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

The Group's capital reserve of RMB58,149 million as at 30 June 2023 (31 December 2022: RMB58,149 million), mainly represents capital premium.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.32 Preference Shares

(1) Outstanding Preference Shares at 30 June 2023 and 31 December 2022

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency	In RMB	Maturity	Conversion condition	Conversion
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB 100/ Share	200	20,000	20,000	None	Mandatory	None
Total							20,000			
Less: Issue fees							(25)			
Book value							19,975			

(2) Domestic Preference Shares Main Clauses

(a) Dividend

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

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholders' resolution to be passed and investors shall be informed in time.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
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4 Notes to the consolidated financial statements *(continued)*

4.32 Preference Shares *(continued)*

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

(c) Dividend stopper

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

(d) Order of distribution and liquidation method

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

(e) Mandatory conversion trigger events

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

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

(f) Redemption

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

The Bank has the right to redeem all or part of the domestic Preferred Shares issued in this issue on the preferred stock dividend date of each year, starting from the date of expiration of 5 years after the issue date (i.e., 15 October 2019), and the redemption period shall expire on the date of conversion or redemption in full. In the case of partial redemption, all domestic preferred shares issued in this issue will be redeemed on the same terms and in proportion.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.32 Preference Shares *(continued)*

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

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over common shareholders.

The dividend of the Domestic Preference Shares issued this time shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(3) Changes in preference shares outstanding

	1 January 2023		Movements		30 June 2023	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Domestic Preference Shares	**200**	**19,975**	**–**	**–**	**200**	**19,975**

	1 January 2022		Movements		31 December 2022	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Domestic Preference Shares	200	19,975	–	–	200	19,975

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For the six months ended 30 June 2023
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4 Notes to the consolidated financial statements *(continued)*

4.33 Perpetual Bonds

(1) Outstanding Perpetual Bonds at 30 June 2023 and 31 December 2022

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million pieces)	In original currency	In RMB	Maturity	Conversion condition	Conversion
2019 Undated Capital Bonds (Series 1)	30/05/2019	Equity	4.85%	100 RMB/ Note	400	40,000	40,000	None	None	None
Total							40,000			
Less: Issue fees							(7)			
Book value							39,993			
2021 Undated Capital Bonds (Series 1)	19/04/2021	Equity	4.30%	100 RMB/ Note	300	30,000	30,000	None	None	None
Total							30,000			
Less: Issue fees							(4)			
Book value							29,996			
2022 Undated Capital Bonds (Series 1)	14/06/2022	Equity	4.20%	100 RMB/ Note	50	5,000	5,000	None	None	None
Total							5,000			
Less: Issue fees							(2)			
Book value							4,998			
Total							74,987			

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

4.33 Perpetual Bonds *(continued)*

(2) Main Clauses

(a) Principal Amount

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds – First Tranche RMB30 billion.

2022 Undated Tier 1 Capital Bonds – First Tranche RMB5 billion.

(b) Maturity Date

The Notes will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Notes 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 Notes will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Note Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the Issuance of the Notes, the Issuer may redeem the Notes in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Notes no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some part of the Notes.

(e) Subordination

The claims in respect of the Notes, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Notes; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Tier 1 Capital instruments of the Issuer that rank pari passu with the Notes. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

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For the six months ended 30 June 2023
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4 Notes to the consolidated financial statements *(continued)*

4.33 Perpetual Bonds *(continued)*

(2) Main Clauses *(continued)*

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Notes and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Noteholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Notes, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Notes do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option of investors is not applicable.

4.34 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the CBIRC, the preferred shares and perpetual bonds issued by the Bank has met the criteria for qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	30 June 2023	31 December 2022
Total equity attributable to equity holders of the Bank	**613,419**	599,928
Equity attributable to ordinary equity holders of the Bank	**518,457**	504,966
Equity attributable to other equity holders of the Bank	**94,962**	94,962
Total equity attributable to non-controlling interests	**13,272**	12,886
Equity attributable to non-controlling interests of ordinary shares	**13,272**	12,886

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

4.35 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, until the statutory surplus reserve reaches 50% of its registered capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group did not appropriate statutory surplus reserve for the six months ended 30 June 2023 (for the year ended 31 December 2022: RMB3,433 million).

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB179 million of profits to the general reserve for the six months ended 30 June 2023 (for the year ended 31 December 2022: RMB3,481 million).

(3) Retained earnings

As at 30 June 2023, the retained earnings included the statutory surplus reserve of RMB867 million contributed by the subsidiaries and attributable to the Bank (31 December 2022: RMB848 million). The surplus reserve of the subsidiaries attributable to the Bank included in the retained earnings cannot be distributed.

4.36 Non-controlling interests

As at 30 June 2023, the non-controlling interests in the subsidiaries were RMB13,272 million (31 December 2022: RMB12,886 million).

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

4.37 Dividends/Interests

(1) Dividends for Ordinary Shares

The shareholders approved the cash dividends distribution plan for 2022 at the Annual General Meeting on 15 June 2023. The cash dividends declared was RMB2.14 (tax inclusive) for every 10 shares. A total dividend of RMB9,369 million (tax inclusive) was based on total number of shares of 43,782 million as at 31 December 2022.

The shareholders approved the cash dividends distribution plan for 2021 at the Annual General Meeting on 10 June 2022. The cash dividends declared was RMB2.13 (tax inclusive) for every 10 shares. A total dividend of RMB9,326 million (tax inclusive) was based on total number of shares of 43,782 million as at 31 December 2021.

(2) Dividends for Preference Shares

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 29 September 2022, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax). The dividend payment date was 18 October 2022.

(3) Interests for Perpetual Bonds

On 4 June 2023, the Bank declared interest for 2022 undated capital bonds. Interest approved amounted to RMB210 million (including tax), calculated at the initial annual pay-out ratio of 4.20% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 2 June 2023, the Bank declared interest for 2019 undated capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 10 April 2023, the Bank declared interest for 2021 undated capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 23 May 2022, the Bank declared interest for 2019 undated capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 11 April 2022, the Bank declared interest for 2021 undated capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

For the six months ended 30 June 2023
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4 Notes to the consolidated financial statements *(continued)*

4.38 Investment revaluation reserve and cash flow hedging reserve

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Investment revaluation reserve	**Cash flow hedging reserve**	**Total**
As at 1 January 2023	**(1,079)**	**1**	**(1,078)**
Net changes in amount for the period	**2,388**	**39**	**2,427**
As at 30 June 2023	**1,309**	**40**	**1,349**

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2022	573	(7)	566
Net changes in amount for the year	(1,652)	8	(1,644)
As at 31 December 2022	(1,079)	1	(1,078)

4.39 Notes to the consolidated cash flow statement

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	30 June 2023	31 December 2022
Cash (Note 4.10)	**6,622**	6,983
Surplus deposit reserves with central bank (Note 4.10)	**46,411**	19,301
Original maturity within 3 months:		
– Balances with banks and other financial institutions	**108,582**	82,921
– Placements with banks and other financial institutions	**32,857**	19,100
Total	**194,472**	128,305

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

4.40 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

(1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the six months ended 30 June 2023, securitisation transactions of RMB6,096 million were transferred by the Group (2022: RMB8,252 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing financial assets

For the six months ended 30 June 2023, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB9,810 million (2022: RMB26,533 million). The Group transferred the risks and rewards of these non-performing financial assets and therefore has derecognized them.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2023, the carrying amount of debt securities lent to counterparties was RMB39,836 million (31 December 2022: RMB10,070 million).

5 Segment information

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

5.1 Business segments

(a) Corporate banking — Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business.

(b) Retail banking — Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.

(c) Others — Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries.

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information *(continued)*

5.1 Business segments *(continued)*

	Six months ended 30 June 2023			
	Corporate banking	Retail banking	Others	Total
Operating income	34,570	31,601	3,697	69,868
Net interest income	25,077	25,405	852	51,334
Include: inter-segment net interest income/(expense)	9,382	(6,226)	(3,156)	–
Net fee and commission income	3,888	6,080	868	10,836
Net other income	5,605	116	1,977	7,698
Operating expenses	(6,889)	(10,592)	(4,698)	(22,179)
Credit impairment losses	(10,256)	(10,875)	(1,079)	(22,210)
Other impairment losses	(728)	–	(4)	(732)
Profit before income tax	16,697	10,134	(2,084)	24,747
Depreciation and amortisation	1,512	1,377	1,248	4,137
Capital expenditure	1,902	1,734	5,642	9,278

	As at 30 June 2023			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,768,511	1,825,845	990,118	7,584,474
Include: Investments in associates				–
Deferred income tax assets				56,977
Total assets				7,641,451
Segment liabilities	(4,979,762)	(1,316,991)	(717,765)	(7,014,518)
Deferred income tax liabilities				(242)
Total liabilities				(7,014,760)
Credit commitments	709,904	539,685	–	1,249,589

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5 Segment information *(continued)*

5.1 Business segments *(continued)*

	Six months ended 30 June 2022			
	Corporate banking	Retail banking	Others	Total
Operating income	37,341	33,449	1,946	72,736
Net interest income	28,715	26,554	(446)	54,823
Include: inter-segment net interest income/(expense)	13,851	(10,227)	(3,624)	–
Net fee and commission income	3,045	6,768	52	9,865
Net other income	5,581	127	2,340	8,048
Operating expenses	(6,913)	(9,808)	(5,226)	(21,947)
Credit impairment losses	(12,423)	(9,882)	(1,655)	(23,960)
Other impairment losses	(276)	–	(34)	(310)
Profit before income tax	17,729	13,759	(4,969)	26,519
Depreciation and amortisation	1,443	1,292	1,031	3,766
Capital expenditure	1,068	956	6,632	8,656

	As at 31 December 2022			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,406,031	1,785,335	1,008,606	7,199,972
Include: Investments in associates				–
Deferred income tax assets				55,701
Total assets				7,255,673
Segment liabilities	(4,822,844)	(1,152,965)	(666,814)	(6,642,623)
Deferred income tax liabilities				(236)
Total liabilities				(6,642,859)
Credit commitments	737,946	525,942	–	1,263,888

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5 Segment information *(continued)*

5.2 Geographical segments

The Group mainly operates in China mainland, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also has a number of subsidiaries in China mainland and has one branch and subsidiaries in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
North-Eastern Region	Including branches in Liaoning Province, Jilin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information *(continued)*

5.2 Geographical segments *(continued)*

	Six months ended 30 June 2023		As at 30 June 2023
	Operating income	**Profit before income tax**	**Segment assets (1)**
Head Office	**22,020**	**4,627**	**3,338,611**
Yangtze River Delta	**12,044**	**4,038**	**1,232,798**
Pearl River Delta	**8,401**	**4,664**	**730,175**
Bohai Rim	**8,625**	**2,410**	**1,430,317**
North-Eastern Region	**843**	**(832)**	**180,834**
Central Region	**5,945**	**3,424**	**573,014**
Western Region	**7,468**	**4,639**	**664,105**
Overseas and subsidiaries	**4,522**	**1,777**	**386,507**
Inter-segment elimination	**–**	**–**	**(951,887)**
Total	**69,868**	**24,747**	**7,584,474**

	Six months ended 30 June 2022		As at 31 December 2022
	Operating income	Profit before income tax	Segment assets (1)
Head Office	21,477	4,721	3,245,459
Yangtze River Delta	12,980	6,083	1,231,497
Pearl River Delta	8,231	2,419	684,996
Bohai Rim	10,368	5,516	1,332,535
North-Eastern Region	990	101	169,176
Central Region	6,151	2,527	545,393
Western Region	8,366	4,108	633,344
Overseas and subsidiaries	4,173	1,044	364,375
Inter-segment elimination	–	–	(1,006,803)
Total	72,736	26,519	7,199,972

(1) Segment assets do not include deferred tax assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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6 Contingent liabilities and commitments

6.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

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

	30 June 2023	31 December 2022
Bank acceptances	**480,436**	495,920
Guarantees	**124,434**	134,395
Letters of credit	**96,214**	82,175
Unused credit card commitments	**505,057**	489,137
Irrevocable credit commitments		
– original maturity date within 1 year	**24,911**	40,938
– original maturity date over 1 year (inclusive)	**18,537**	21,323
Total	**1,249,589**	1,263,888

Details of allowance for credit commitments (Note 4.28).

	30 June 2023	31 December 2022
Credit risk weighted amounts of credit commitments	**406,393**	359,477

(Expressed in millions of Renminbi, unless otherwise stated)

6 Contingent liabilities and commitments *(continued)*

6.2 Capital commitments

	30 June 2023	31 December 2022
Contracted but not paid for	**14,757**	25,339

6.3 Collateral

(1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

	30 June 2023	31 December 2022
Balances with banks and other financial institutions	**4,505**	3,394
Loans and advances to customers	**142,489**	195,237
Discounted bills	**53,545**	48,539
Financial investments	**160,031**	61,244
Long-term receivables	**7,949**	15,701
Property and equipment	**7,495**	6,439
Total	**376,014**	330,554

(2) Collateral received

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 30 June 2023, the Group had 30 million collaterals that was sold or lent to counterparties, but obligated to return (31 December 2022: Nil).

6.4 Underwriting of securities

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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6 Contingent liabilities and commitments *(continued)*

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 30 June 2023 was RMB2,055 million (31 December 2022: RMB1,706 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 30 June 2023. 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 4.28).

7 Interests in structured entities

7.1 Consolidated structured entities

As at 30 June 2023, the consolidated structured entities amounted to RMB46,828 million (for the year ended 31 December 2022: insignificant).

7.2 Unconsolidated structured entities

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

Unconsolidated structured entities sponsored by third party institutions include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

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7 Interests in structured entities *(continued)*

7.2 Unconsolidated structured entities *(continued)*

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

The following tables set out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2023			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	1,676	174,644	23,511	199,831
Funds	196,304	–	–	196,304
Trust and asset management plans	16,183	34,918	–	51,101
Others	1,180	–	–	1,180
Total	215,343	209,562	23,511	448,416

	31 December 2022			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	1,448	184,301	30,193	215,942
Funds	235,452	–	–	235,452
Trust and asset management plans	14,185	43,061	–	57,246
Others	5,365	–	–	5,365
Total	256,450	227,362	30,193	514,005

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7 Interests in structured entities *(continued)*

7.2 Unconsolidated structured entities *(continued)*

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

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

(2) Interests held in structured entities sponsored and managed but not consolidated by the Group

Structured entities sponsored and managed but not consolidated by the Group primarily include wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

As at 30 June 2023, the balance of wealth management products sponsored and managed but not consolidated by the Group is RMB750,813 million (31 December 2022: RMB883,977 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB155,565 million (31 December 2022: RMB161,998 million).

For the six months ended 30 June 2023, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB1,564 million (for the six months ended 30 June 2022: RMB2,071 million). As at 30 June 2023 and 31 December 2022, the carrying amounts of commission receivable being recognised are not material in the statement of financial positions.

8 Entrusted lending business

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

	30 June 2023	31 December 2022
Entrusted loans	275,839	275,934
Entrusted funds	275,839	275,934

9 Related parties

9.1 Related parties

(1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be a natural person, corporate or unincorporated organization.

Related parties of the Group mainly include corporates or unincorporated organizations that hold or control more than 5% of the Bank's equity interests, and corporates or unincorporated organizations that hold less than 5% of the Bank's equity interests but have significant influence on the Bank, and the controlling shareholders, actual controllers, persons acting in concert, and ultimate beneficiaries of these entities as well as corporates or unincorporated organizations under the control of these entities; the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers (hereinafter referred to as "insiders of the Bank"), their close family members, and the corporates or unincorporated organizations controlled by the aforementioned persons; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; corporates or unincorporated organizations under control or significant influence of the Bank; and natural persons, corporates or unincorporated organizations identified by the Bank as being related on a substance over form basis and/or see-through basis.

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders

Company name	Registered location	30 June 2023 No. of Shares of the Bank held by the Company (share)	30 June 2023 Proportion of shares of the Bank held by the Company (%)	31 December 2022 No. of Shares of the Bank held by the Company (share)	31 December 2022 Proportion of shares of the Bank held by the Company (%)	Business (a)	Legal form	Legal representative
Dajia Life Insurance Inc.	Beijing	**7,810,214,889**	**17.84**	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
China Oceanwide Holdings Group Co., Ltd.	Beijing	**1,803,182,618**	**4.12**	1,803,182,618	4.12	Commercial service	Limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	**523,667,104**	**1.20**	604,300,950	1.38	Investment holding	Limited company	(b)
Long Prosper Capital Company Limited	British Virgin Islands	**13,997,500**	**0.03**	138,442,500	0.32	Investment holding	Limited company	(b)
China Oceanwide International Investment Company Limited	Hong Kong	**8,237,520**	**0.02**	8,237,520	0.02	Investment holding	Limited company	(b)
Shanghai Giant Lifetech Co., Ltd.	Shanghai	**1,379,679,587**	**3.15**	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
Alpha Frontier Limited	Cayman Islands	**713,501,653**	**1.63**	713,501,653	1.63	Investment holding	Limited company	Zhang Lv
Liberal Rise Limited	British Virgin Islands	**84,522,480**	**0.19**	84,522,480	0.19	Investment holding	Limited company	Shi Yuzhu
New Hope Liuhe Investment Co., Ltd.	Tibet	**1,828,327,362**	**4.18**	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Tibet	**343,177,327**	**0.78**	343,177,327	0.78	Retailing	Limited company	Li Jianxiong
Tongfang Guoxin Investment Co., Ltd.	Chongqing	**1,888,530,701**	**4.31**	1,888,530,701	4.31	Commercial service	Limited company	Liu Qinqin
Chongqing International Trust Co., Ltd.	Chongqing	**103,658,821**	**0.24**	103,658,821	0.24	Other financial industry	Joint stock limited company	Weng Zhenjie
China Shipowners Mutual Assurance Association	Shanghai	**1,324,284,453**	**3.02**	1,324,284,453	3.02	Marine mutual insurance and services	National social group	Song Chunfeng
Orient Group Incorporation	Heilongjiang	**1,280,117,123**	**2.92**	1,280,117,123	2.92	Agricultural and sideline food processing industry	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Beijing	**35,000,000**	**0.08**	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
Good First Group Co., Ltd.	Shanghai	**133,210,026**	**0.30**	268,340,026	0.61	Wholesaling	Limited company	Wu Di
Tibet Fuju Enterprise Management Co., Ltd.	Tibet	**121,402,400**	**0.28**	187,802,400	0.43	Commercial service	Limited company	Wu Di
Tibet Heng Xun Corporate Management Co., Ltd.	Tibet	**93,762,400**	**0.21**	93,762,400	0.21	Commercial service	Limited company	Hong Zhihua

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations:

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

China Oceanwide Holdings Group Co., Ltd.: finance; real estate and investment management, etc.

Oceanwide International Equity Investment Limited: investment holdings, etc.

Long Prosper Capital Company Limited: investment holdings, etc.

China Oceanwide International Investment Co, Ltd.: investment holdings, etc.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale of pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

Alpha Frontier Limited: investment holdings.

Liberal Rise Limited: investment holdings.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, by products and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations: (continued)

Tongfang Guoxin Investment Co., Ltd.: transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management; proprietary investments (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; corporate restructuring and M&A planning and advisory services (Except for the items subject to approval according to law, the company shall independently carry out business activities according to law with its business license).

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the Formerly China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Orient Group Incorporation: permitted item: food production (branch operation); Bean products manufacturing (branch operation); Crop seed management (branch operation); Job intermediary activities. General items: grain purchase; Import and export of goods; Technology import and export; Foreign contracted projects; estate management; Sales of light building materials; Sales of building materials; Sales of construction machinery; Furniture sales; Wholesale of hardware products; Sanitary ware sales; Sales of metal materials; Research and development of new material technology; Grain sales; Grain planting (branch operation); Enterprise headquarters management; Primary processing of edible agricultural products (branch operation).

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations: (continued)

Oriental Group Co., Ltd.: project investment; investment management; real estate development; import and export agency; goods import and export; and economic and trade consulting, etc.

Good First Group Co., Ltd.: high-tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Fuju Enterprise Management Co., Ltd. (Formerly known as Tibet Fu Ju Investment Co., Ltd.): investments in commercial, agricultural, medical, entertainment and education industries (forbidden operations include: trust, financial asset management, and securities asset management business; also excluded: securities, insurance, funds, financial business and their restricted activities) (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

(b) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are entities incorporated overseas, and are ultimately controlled by Mr. Lu Zhiqiang.

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For the six months ended 30 June 2023
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9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	30 June 2023	31 December 2022
Dajia Life Insurance Inc.	RMB 30,790 million	RMB 30,790 million
China Oceanwide Holdings Group Co., Ltd.	RMB 20,000 million	RMB 20,000 million
Oceanwide International Equity Investment Limited	USD 0.05 million	USD 0.05 million
Long Prosper Capital Company Limited	USD 0.05 million	USD 0.05 million
China Oceanwide International Investment Company Limited	HKD 1,548 million	HKD 1,548 million
Shanghai Giant Lifetech Co., Ltd.	RMB 245 million	RMB 245 million
Alpha Frontier Limited	USD 17.5 thousand	USD 17.5 thousand
Liberal Rise Limited	USD 0.05 million	USD 0.05 million
New Hope Liuhe Investment Co., Ltd.	RMB 577 million	RMB 577 million
South Hope Industrial Co., Ltd.	RMB 1,034 million	RMB 1,034 million
Tongfang Guoxin Investment Co., Ltd.	RMB 2,574 million	RMB 2,574 million
Chongqing International Trust Co., Ltd.	RMB 15,000 million	RMB 15,000 million
China Shipowners Mutual Assurance Association	RMB 0.10 million	RMB 0.10 million
Orient Group Incorporation	RMB 3,659 million	RMB 3,659 million
Oriental Group Co., Ltd.	RMB 1,000 million	RMB 1,000 million
Good First Group Co., Ltd.	RMB 133 million	RMB 133 million
Tibet Fuju Enterprise Management Co., Ltd.	RMB 300 million	RMB 300 million
Tibet Heng Xun Corporate Management Co., Ltd.	RMB 10 million	RMB 10 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.21.

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(4) Relationship with related parties

Company name	Relationship with the Bank
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Guizhou Guoyuan Mining Development Co., Ltd.	Related party with equity interests held by the Bank
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
Chongqing Yufu Expressway Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Beijing Dacheng Hotel Co., Ltd.	Related party of Orient Group Incorporation
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
Sichuan Dazhou Steel Group Co., Ltd.	Related party with equity interests held by the Bank
Kunming Dashanghui Industrial Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Guangxi Xindi Investment Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Hongfu Co., Ltd.	Related party of Good First Group Co., Ltd.
Chongqing Gengyu Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Tianjin Yuanxi Real Estate Development Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
CHINA TONGHAI DCM LIMITED	Related party of China Oceanwide Holdings Group Co., Ltd.
SINO-OCEAN GROUP HOLDING LIMITED	Related party of the Bank's insiders
ENN (Tianjin) Energy HOLDINGS LIMITED	Related party of ENN Natural Gas Co., Ltd.
Zoomlion Heavy Industry Science and Technology Co., Ltd.	Related party of the Bank's insiders
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Golden Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Dalian Jianhua Sludge Treatment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Hainan New Hope Liuhe Supply Chain Technology Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Yancheng Liuhe Feed Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Deyu (Shanghai) Medical Technology Co., Ltd.	Related party of the Bank's insiders
Sichuan Special Drive Education Management Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Hope Education Industry Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
New Hope Dairy Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Minsheng Real Estate Co., Ltd.	Companies funded by the Labour Union Committee of the Bank
Beijing Changrong Heyin Investment Management Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(4) Relationship with related parties *(continued)*

Company name	Relationship with the Bank
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Neural Management of Comprehensive Channels Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Sanya Minsheng Tourism Co., Ltd.	Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.
Hongtai Keystone Asset Management Co., Ltd.	Companies funded by Labour Union Committee of credit card centre and related parties of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Companies funded by the Labour Union Committee of Beijing branch of the Bank

(5) Related natural persons

The related natural persons of the Group include: the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers, and their close family members; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and natural persons identified by the Bank as being related on a substance over form basis and/or look-through basis. As of 30 June 2023, the Bank has 12,552 related natural persons, including 186 who were directors of the Bank and their close family members, 105 who were supervisors of the Bank and their close family members, 138 who were senior executives of the head office and their close family members, 11,833 who were senior executives of key branches of the Bank or people with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers, and their close family members, 168 who were directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries, and 200 other natural persons.

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(5) Related natural persons *(continued)*

Note: Among the Bank's directors and their close family members, 33 were also senior executives of the head office or close family members, and 9 persons were also directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and the Bank's supervisors and their close family members included 36 persons who were also senior executives at the Head Office or their close family members.

9.2 Related party transactions

(1) Material related party transactions

Material related party transactions refer to transactions where an individual transaction between the Group and a single related party amounts to more than 1% of the Group's net capital at the end of the previous quarter, or where the cumulative total of transactions between the Group and a single related party amounts to more than 5% of the Group's net capital at the end of the previous quarter.

During the six months ended 30 June 2023, the Bank granted to Dajia Life Insurance Inc. a comprehensive credit limit of RMB26 billion under normal commercial terms with a term of 2 years. As at 30 June 2023, the loan balance was RMB15.7 billion (31 December 2022: RMB15.7 billion).

(2) Pricing policy

Transactions between the Group and its related parties are mainly conducted in the normal course of its business and on normal commercial terms, following the pricing policies that are consistent with those applicable to similar transactions with independent non-related parties.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	30 June 2023	31 December 2022
Dajia Life Insurance Inc.	Pledged/ Guaranteed	15,700	15,700
Oceanwide Holding Co., Ltd.	Pledged/ Collateralised/ Guaranteed	9,200	9,200
Shanghai Cibi Business Information Consulting Co., Ltd.	Pledged/ Guaranteed	6,612	6,613
China Oceanwide Holdings Group Co., Ltd.	Pledged/ Guaranteed	4,666	4,666
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/ Guaranteed	4,380	4,381
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,972	3,972
Guizhou Guoyuan Mining Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,335	3,335
Wuhan CBD Co., Ltd.	Collateralised/ Guaranteed	3,046	3,046
Orient Group Incorporation	Pledged/ Collateralised/ Guaranteed	2,830	2,837
UNITED ENERGY GROUP (HONG KONG) LIMITED	Pledged/ Guaranteed	2,271	2,208
Chongqing Yufu Expressway Co., Ltd.	Pledged/ Guaranteed	2,100	–
Beijing Dacheng Hotel Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,699	1,700
Oriental Group Co., Ltd.	Pledged/ Guaranteed	1,690	2,092
Tongfang Guoxin Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,445	1,448
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,039	1,040

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For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties *(continued)*

	Types of collateral	30 June 2023	31 December 2022
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/ Guaranteed	**925**	950
Xiamen Rongyin Co., Ltd.	Pledged/ Collateralised/ Guaranteed	**900**	590
Sichuan Dazhou Steel Group Co., Ltd.	Pledged/ Collateralised/ Guaranteed	**725**	725
Kunming Dashanghui Industrial Co., Ltd.	Collateralised/ Guaranteed	**600**	–
Guangxi Xindi Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	**583**	596
Xiamen Hongfu Co., Ltd.	Guaranteed	**400**	199
Chongqing Gengyu Real Estate Development Co., Ltd.	Collateralised/ Guaranteed	**346**	–
Tianjin Yuanxi Real Estate Development Co., Ltd.(a)	Pledged/ Collateralised	**345**	N/A
CHINA TONGHAI DCM LIMITED	Pledged/ Guaranteed	**295**	301
SINO-OCEAN GROUP HOLDING LIMITED	Pledged/ Guaranteed	**202**	471
ENN (Tianjin) Energy HOLDINGS LIMITED (a)	Guaranteed	**200**	N/A
Zoomlion Heavy Industry Science and Technology Co., Ltd.	Pledged	**199**	–
Grass Green Group Co., Ltd.	Pledged/ Guaranteed	**159**	167
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	**150**	150
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/ Guaranteed	**147**	147
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	**130**	130
Dalian Jianhua Sludge Treatment Co., Ltd. (a)	Collateralised	**73**	N/A
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	**71**	71

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties *(continued)*

	Types of collateral	30 June 2023	31 December 2022
Hainan New Hope Liuhe Supply Chain Technology Co., Ltd. (a)	Pledged	52	N/A
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd. (a)	Guaranteed	50	N/A
Yancheng Liuhe Feed Co., Ltd.	Pledged	30	–
Deyu (Shanghai) Medical Technology Co., Ltd. (a)	Pledged	20	N/A
Shenzhen Fanhai Sanjiang Technology Development Co., Ltd.	Collateralised	15	15
Shanghai Rihou Steel Tube Leasing Co., Ltd.	Collateralised	6	8
Shanghai Xunjiu Technology Co., Ltd.	Collateralised	6	–
Jiangsu Zhijun Power Equipment Co., Ltd.	Collateralised	3	3
Quanzhou Fengze District best art auto parts shop	Collateralised	2	2
Beijing Changrong Heyin Investment Management Co., Ltd.	Pledged	1	390
Sichuan Hope Education Industry Group Co., Ltd.	Pledged	–	250
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	–	150
New Hope Dairy Co., Ltd.	Pledged	–	69
Bank Of Hebei Co., Ltd.(b)	Pledged	N/A	1,703
Individuals	Collateralised/ Guaranteed	1,447	1,418
Total		72,067	70,743
Ratio to similar transactions (%)		1.67	1.74
Interest rate ranges		1.53%-8.95%	2.61%-8.95%

(a) Since 2023, these companies became related parties of the Group.

(b) As at 30 June 2023, these companies were no longer related parties of the Group.

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties *(continued)*

Amount of transactions:

	Six months ended 30 June	
	2023	2022
Interest income from loans	**2,105**	1,585
Ratio to similar transactions (%)	**2.28**	1.69

(4) Other transactions with related parties

Balances as at the end of the reporting period:

	30 June 2023		31 December 2022	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost	**4,221**	**0.28**	9,588	0.70
– Financial assets at fair value through profit or loss	**846**	**0.22**	560	0.14
– Financial assets at fair value through other comprehensive income	**977**	**0.24**	993	0.21
Long-term receivables	**227**	**0.20**	178	0.16
Other assets (a)	**1,286**	**2.90**	940	2.05
Deposits and placements from banks and other financial institutions	**1,886**	**0.12**	3,305	0.22
Borrowings from banks and other financial institutions	**–**	**–**	1,004	0.95
Deposits from customers	**30,251**	**0.70**	32,232	0.80
Other liabilities	**23**	**0.04**	27	0.05

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
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9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

(a) Other transactions with related parties

Sanya Minsheng Tourism Co., Ltd. provides project management and business promotion assistant services for Minsheng Financial Leasing regarding its retail vehicle financial leasing business. Other assets mainly include the prepayment from Minsheng Financial Leasing to Sanya Minsheng Tourism Co., Ltd. for the above-mentioned service fees to be amortised.

Profit and loss during the reporting period:

	Six months ended 30 June			
	2023		2022	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions *(%)*
Interest income	**118**	**0.09**	144	0.11
Interest expense	**347**	**0.42**	761	0.99
Fee and commission income (a)	**372**	**2.77**	145	1.18
Operating expenses (b)	**1,295**	**5.84**	1,394	6.35
Other operating cost	**13**	**1.05**	–	–

(a) For the six months ended 30 June 2023 and for the six months ended 30 June 2022, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc.

(b) Operating expenses of the Group were mainly for financial business outsourcing service and procurement service provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service provided by Minsheng Real Estate Co., Ltd. and its related parties, technology development service provided by Minsheng Fintech Co., Ltd., assets recovery service provided by Hongtai Keystone Asset Management Co., Ltd., business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd., and maintenance service of self-service cashier equipment provided by Neural Management of Comprehensive Channels Co., Ltd.

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For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

(a) Other transactions with related parties (continued)

Interest rate ranges for transaction balances as at the end of reporting period

	30 June 2023	31 December 2022
Financial investments		
– Financial assets measured at amortised cost	3.25%-6.74%	2.80%-6.74%
– Financial assets at fair value through other comprehensive income	2.70%-5.30%	2.70%-5.30%
Long-term receivables	4.23%-8.80%	4.23%-5.50%
Deposits and placements from banks and other financial institutions	0.00%-2.35%	0.00%-2.92%
Borrowings from banks and other financial institutions	N/A	3.20%
Deposits from customers	0.00%-5.35%	0.00%-5.35%

Balance of off-balance sheet items:

	30 June 2023		31 December 2022	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions *(%)*
Bank acceptances	1,200	0.25	2,472	0.50
Guarantees	106	0.09	204	0.15
Letters of credit	300	0.31	300	0.37
Unused credit card commitments	571	0.11	568	0.12

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

(a) Other transactions with related parties (continued)

Balances of loans guaranteed by related parties:

	30 June 2023	31 December 2022
Loans guaranteed by related parties	30,062	27,331
Ratio to similar transactions (%)	0.70	0.67

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the six months ended 30 June 2023 and for the six months ended 30 June 2022.

(6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB2.19 million as at 30 June 2023 (31 December 2022: RMB2.36 million), which have been included in the above loans granted to related parties.

For the six months ended 30 June 2023, the pre-tax compensation (including wages and short-term benefits) of key management personnel totalled RMB28 million (for the six months ended 30 June 2022: RMB32 million).

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(7) Transactions between the Bank and its subsidiaries

Balances as at the end of the reporting period:

	30 June 2023	31 December 2022
Placements with banks and other financial institutions	27,839	27,489
Loans and advances to customers	2,662	2,412
Right-of-use assets	–	3
Financial investment	800	–
Other assets	87	35
Deposits and placements from banks and other financial institutions	11,364	12,110
Balances with banks and other financial institutions	160	160
Deposits from customers	920	522
Leasing liabilities	–	3
Other liabilities	2	2

Amount of transactions for the reporting period:

	Six months ended 30 June	
	2023	2022
Interest income	637	518
Interest expense	120	65
Fee and commission income	473	51
Fee and commission expense	87	–
Operating expenses	4	–
Net other operating income	1	3

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(7) Transactions between the Bank and its subsidiaries *(continued)*

Material transactions between the Bank and its subsidiaries

(a) During the year 2022, the Bank granted Minsheng Financial Leasing Co., Ltd. a maximum credit line of RMB 38,520 million under normal commercial terms for a term of 2 years. As at 30 June 2023, the balance of placements with banks and other financial institutions was RMB 21,245 million (31 December 2022: RMB 21,193 million).

(b) During the six months ended 30 June 2023, the Bank granted CMBC Wealth Management Co., Ltd. a maximum credit line of RMB 68.00 billion under normal commercial terms for a term of 2 years. As at 30 June 2023, the credit line remained unused.

For the six months ended 30 June 2023, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 30 June 2023, the balance of the above transactions was RMB147 million (31 December 2022: RMB174 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

10 Financial risk management

10.1 Financial risk management overview

The financial risks the Group is exposed to mainly include credit risk, market risk, liquidity risk and operational risk etc. Risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

In response to new regulatory requirements and market changes as well as in light of the actual needs and current position, the Group sets its risk preferences, risk management strategies and risk policies, and takes a host of measures to ensure the risk preferences and policies are concretely implemented and complied with and strengthen the role of risk management in support of strategic decision-making, including improving its risk quantification tools and information systems, adopting and continuously improving its end-to-end risk control mechanisms and based on oversight and reviews of actual implementations, re-examining and optimising the risk preference funneling mechanisms, credit policies, limit management, and relevant systems and tools.

10 Financial risk management *(continued)*

10.1 Financial risk management overview *(continued)*

The Bank's Risk Management Committee, which operates under the Board of Directors, assists the Board in setting the Bank's risk preferences and risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing their effectiveness. In accordance with the risk preferences and management strategies, the Bank's senior management develops corresponding risk management policies and procedures and drives their implementation.

10.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, problem asset professional management and collecting and other major methods for credit risk management.

After exhausting all necessary measures and implementing necessary procedures, the Group writes off the bad debts as determined in accordance with the criteria set out in the Group's write-off policy. For bad debts that have been written off, the Group continues to make its best effort to recover them.

(1) Credit risk measurement

(a) Loans and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the CBIRC Guidelines for Risk Classification of Loans (CBIRC [2007] No.54, the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(1) Credit risk measurement *(continued)*

(a) Loans and credit commitments (continued)

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass:	The borrower can fulfil contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special-mention:	The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.
Sub-standard:	The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.
Doubtful:	The borrower cannot repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.
Loss:	After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

(b) Debt securities and other bills

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimise its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control personnel regularly analyse and continuously monitor the credit positions of issuers of debt securities still held by the Bank, and the operational staff will continue to optimise and adjust the investment portfolio based on the risk-mitigation recommendations.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(2) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on- and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and preventing and controlling customer concentration risks.

(a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

– Real estate and land use rights

– Financial instruments such as time deposits, debt securities and equities

– Trade receivables, rent receivables and various rights to receive payments

– Mining rights and machinery

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(2) Risk limit control and mitigation policies *(continued)*

(a) Collateral (continued)

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collaterals from counterparties/require additional guarantors or squeeze the credit line.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivative instruments

The credit risk of derivative financial instruments comes from the counterparty credit risk that the bank faces during transactions with counterparties who fail to fulfill their obligations. The Bank manages the counterparty credit risk of derivative financial instruments through credit limits or other credit risk mitigation measures. The Bank incorporates counterparties' credit limits into the bank-wide unified credit management system and sets credit limits in the management system to monitor credit limits. To reduce the credit risk of derivative financial instruments, the bank also adopts measures such as margin requirements, participation in central counterparty clearing, etc.

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement

According to the IFRS 9: Financial Instruments, the Group classifies its financial instruments into three stages for the purpose of ECL measurement and applies the ECL model to calculate credit loss provisions for on-balance sheet financial instruments that are exposed to credit risk and measured either at amortised cost or at fair value through other comprehensive income, such as loans, debt securities, balances with banks and other financial institutions, accounts receivable, lease receivables, and other debt investments, as well as off-balance sheet financial instruments that are exposed to credit risk, such as financial guarantee contracts and loan commitments.

The Group adopts the parameters-based approach and the discounted cash flow ("DCF") method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group regularly reviews and optimizes its expected credit loss model, and makes timely updates to the forward-looking information and relevant parameters in accordance with the requirements of *Implementation Rules on Expected Credit Loss Approach of Commercial Banks* (CBIRC [2022] No.10) Issued by CBIRC.

(a) Financial instrument risk stages

The Group applies a "three-stage model" for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1:	Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.
Stage 2:	For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.
Stage 3:	For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

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For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(b) Criteria for significant increases in credit risk ("SICR")

The Group assesses, at each balance sheet date, whether or not the credit risk of relevant financial instruments has increased significantly since their initial recognition. In order to determine whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and supportable information that is available without undue cost or effort and sets qualitative and quantitative criteria accordingly. The quantitative criteria include overdue days of the principal or interest for more than 30 days, credit asset categorised to the special-mention, the absolute level or relative change of Probability of Default in excess of the preset thresholds, among others; and the qualitative criteria mainly cover the regulatory and business environments, the borrowers' repayment ability, borrowers' operation capability, borrowers' repayment behaviors, and forward-looking information, among others.

(c) Definition of credit-impaired financial asset

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

– The principal or interest of a financial asset is overdue for more than 90 days;

– Significant financial difficulty of the issuer or obligor;

– A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

– The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;

– The debtor will probably enter bankruptcy or another financial reorganisation;

– The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;

– The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;

– Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(d) Grouping of risk exposures

For the purpose of expected credit loss measurement, the Group classifies exposures with similar credit risk characteristics into groups. The Group groups corporate financial assets mainly according to the borrower types and the industry in which they operate, and retail assets mainly according to product types, and the Group reviews the appropriates of its risk grouping and makes corrections to the grouping results on an annual basis.

(e) Parameters for ECL measurement

Except for credit-impaired financial assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument according to whether there is a significant increase in credit risk. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

– PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;

– LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;

– EAD refers to the total amount of on – and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet credit risk conversion factor etc., and may vary by product types.

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the quarterly year-on-year (Y/Y) growth rates of Gross Domestic Product (GDP) and Broad Money Supply (M2), and quarterly cumulative year-on-year (Y/Y) growth rates of Consumer Price Index (CPI). The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indictors for ECL calculation.

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(f) Forward-looking information incorporated in the ECL (continued)

As at 30 June 2023, the Group has considered different macroeconomic scenarios, and the main economic indicators with predicted ranges in estimating ECL are set out as below:

Variables	Range
Quarterly Y/Y growth rate of GDP	4.2%~9.2%
Quarterly Y/Y growth rate of M2	9.2%~13.0%
Quarterly cumulative Y/Y growth rate of CPI	0.2%~3.5%

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

The Group combines macro-economic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. As at 30 June 2023 and 31 December 2022, the positive, neutral and negative scenarios had similar weightings.

(g) Cash flow forecasts for Stage 3 corporate financial assets

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets. The DCF method estimates the expected credit losses based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(4) Maximum credit risk exposure

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	30 June 2023	31 December 2022
Balances with central bank	348,277	331,569
Balances with banks and other financial institutions	114,630	88,705
Placements with banks and other financial institutions	188,526	182,434
Derivative financial assets	40,635	33,878
Financial assets held under resale agreements	10,025	3,010
Loans and advances to customers	4,322,267	4,072,982
Financial investments		
– Financial assets at fair value through profit or loss	164,344	128,005
– Financial assets at fair value through other comprehensive income	399,764	462,619
– Financial assets measured at amortised cost	1,496,330	1,363,589
Long-term receivables	115,628	111,456
Other financial assets	32,764	30,153
Total	7,233,190	6,808,400
Off-balance sheet credit commitments	1,249,589	1,263,888
Maximum credit risk exposure	8,482,779	8,072,288

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(5) Analysis on the credit quality of financial instruments

(a) As at 30 June 2023, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	348,277	–	–	348,277	–	–	–	–
Balances with banks and other financial institutions	114,637	–	–	114,637	(7)	–	–	(7)
Placements with banks and other financial institutions	188,313	–	1,939	190,252	(414)	–	(1,312)	(1,726)
Financial assets held under resale agreements	9,617	–	436	10,053	–	–	(28)	(28)
Loans and advances to customers								
– Corporate loans and advances	2,451,159	150,163	61,691	2,663,013	(18,037)	(21,138)	(26,200)	(65,375)
– Personal loans and advances	1,686,870	47,863	24,797	1,759,530	(9,387)	(10,257)	(16,312)	(35,956)
Financial investments	1,863,292	11,288	32,243	1,906,823	(2,779)	(1,088)	(9,069)	(12,936)
Long-term receivables	99,219	13,405	5,942	118,566	(583)	(752)	(1,603)	(2,938)
Off-balance sheet credit commitments	1,244,630	4,943	16	1,249,589	(1,336)	(418)	(16)	(1,770)

(b) As at 31 December 2022, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	331,569	–	–	331,569	–	–	–	–
Balances with banks and other financial institutions	88,713	–	–	88,713	(8)	–	–	(8)
Placements with banks and other financial institutions	182,352	–	1,944	184,296	(585)	–	(1,277)	(1,862)
Financial assets held under resale agreements	2,574	–	464	3,038	–	–	(28)	(28)
Loans and advances to customers								
– Corporate loans and advances	2,204,472	166,252	53,028	2,423,752	(15,327)	(21,983)	(24,513)	(61,823)
– Personal loans and advances	1,669,611	51,147	26,111	1,746,869	(8,413)	(11,629)	(17,003)	(37,045)
Financial investments	1,789,042	12,793	35,665	1,837,500	(2,249)	(939)	(9,925)	(13,113)
Long-term receivables	94,754	13,270	6,913	114,937	(642)	(862)	(1,977)	(3,481)
Off-balance sheet credit commitments	1,261,248	2,525	115	1,263,888	(1,424)	(344)	(76)	(1,844)

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(6) Loans and advances to customers

(a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	30 June 2023	31 December 2022
Stage 1		
Unsecured loans	**1,166,963**	1,087,615
Guaranteed loans	**725,847**	623,229
Loans secured by		
Tangible assets other than monetary assets	**1,644,611**	1,591,434
Monetary assets	**569,007**	542,328
Subtotal	**4,106,428**	3,844,606
Stage 2		
Unsecured loans	**23,287**	27,297
Guaranteed loans	**24,820**	31,630
Loans secured by		
Tangible assets other than monetary assets	**116,934**	122,535
Monetary assets	**32,985**	35,937
Subtotal	**198,026**	217,399
Stage 3		
Unsecured loans	**18,105**	15,884
Guaranteed loans	**13,196**	16,578
Loans secured by		
Tangible assets other than monetary assets	**39,551**	36,298
Monetary assets	**15,636**	10,379
Subtotal	**86,488**	79,139
Total	**4,390,942**	4,141,144
Credit-impaired loans secured by collateral	**26,283**	21,411

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

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

(b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	30 June 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	566,633	12.90	523,343	12.64
Manufacturing	456,968	10.41	396,308	9.57
Real estate	381,821	8.70	363,344	8.77
Wholesale and retail	289,191	6.59	263,607	6.37
Water, environment and public utilities management	181,155	4.13	167,684	4.05
Transportation, storage and postal services	168,599	3.84	154,492	3.73
Financial services	154,731	3.52	115,764	2.79
Production and supply of electric power, heat, gas and water	117,620	2.68	103,403	2.50
Construction	115,125	2.62	109,689	2.65
Mining	72,560	1.65	72,705	1.76
Information transmission, software and IT services	40,622	0.93	41,727	1.01
Agriculture, forestry, animal husbandry and fishery	20,561	0.47	20,420	0.49
Accommodation and catering	16,727	0.38	17,578	0.42
Others	53,666	1.21	49,212	1.19
Subtotal	2,635,979	60.03	2,399,276	57.94
Personal loans and advances	1,754,963	39.97	1,741,868	42.06
Total	4,390,942	100.00	4,141,144	100.00

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

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

(c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	30 June 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Head Office	**469,807**	**10.70**	488,895	11.81
Yangtze River Delta	**1,149,963**	**26.19**	1,045,578	25.25
Pearl River Delta	**701,551**	**15.98**	630,013	15.21
Bohai Rim	**678,041**	**15.44**	644,316	15.56
Western Region	**659,976**	**15.03**	630,687	15.23
Central Region	**516,484**	**11.76**	497,398	12.01
North-Eastern Region	**102,911**	**2.34**	97,380	2.35
Overseas and subsidiaries	**112,209**	**2.56**	106,877	2.58
Total	**4,390,942**	**100.00**	4,141,144	100.00

(7) Loans and advances restructured

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. As at 30 June 2023, the amount of the Group's impaired restructured loans and advances to customers with modified contract terms, was RMB9,787 million (31 December 2022: RMB13,554 million).

Impaired restructured loans and advances which were not past due or past due for no more than 90 days are as follows:

	30 June 2023	31 December 2022
Loans and advances to customers	**1,593**	3,659
Ratio of total loans and advances to customers (%)	**0.04**	0.09

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(8) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	30 June 2023					
	Unrated(a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions(b)	26,749	–	–	–	–	26,749
– Corporates	2,054	–	13	–	1,967	4,034
Gross balance	28,803	–	13	–	1,967	30,783
Interest accrued						1,460
Less: Allowance for impairment losses of financial assets measured at amortised cost						(7,744)
Subtotal						24,499
Not impaired						
– Government	833,309	356,138	303	1,139	–	1,190,889
– Policy banks	126,751	–	–	955	–	127,706
– Banks and non-bank financial institutions	77,638	145,328	2,638	26,278	17,522	269,404
– Corporates	153,650	226,572	15,527	13,109	20,442	429,300
Gross balance	1,191,348	728,038	18,468	41,481	37,964	2,017,299
Interest accrued						21,625
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,985)
Subtotal						2,035,939
Total						2,060,438

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(8) Distribution of debt instruments analysed by issuers and rating *(continued)*

	31 December 2022					
	Unrated(a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions(b)	30,823	–	–	–	–	30,823
– Corporates	2,416	–	13	–	616	3,045
Gross balance	33,239	–	13	–	616	33,868
Interest accrued						1,797
Less: Allowance for impairment losses of financial assets measured at amortised cost						(8,867)
Subtotal						26,798
Not impaired						
– Government	806,557	324,153	–	1,108	–	1,131,818
– Policy banks	105,141	–	–	991	–	106,132
– Banks and non-bank financial institutions	79,905	127,057	2,054	24,344	19,689	253,049
– Corporates	128,461	225,807	32,025	11,749	19,626	417,668
Gross balance	1,120,064	677,017	34,079	38,192	39,315	1,908,667
Interest accrued						21,173
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,425)
Subtotal						1,927,415
Total						1,954,213

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates, bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(9) Investments classified as trust and asset management plans analysed by type of underlying assets

	30 June 2023	31 December 2022
Trust and asset management plans		
Credit assets	**34,918**	43,061
Bonds and others	**16,183**	14,185
Total	**51,101**	57,246

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest are mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

	30 June 2023				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	312,633	41,644	434	188	354,899
Balances with banks and other financial institutions	87,547	21,148	3,100	2,835	114,630
Placements with banks and other financial institutions	166,505	19,017	2,254	750	188,526
Financial assets held under resale agreements	10,025	–	–	–	10,025
Loans and advances to customers	4,149,701	109,992	37,486	25,088	4,322,267
Financial investments	2,144,794	124,117	9,202	14,395	2,292,508
Long-term receivables	96,045	19,583	–	–	115,628
Other assets	168,649	45,141	1,194	27,984	242,968
Total assets	7,135,899	380,642	53,670	71,240	7,641,451
Liabilities:					
Borrowings from central bank	180,971	–	–	–	180,971
Deposits and placements from banks and other financial institutions	1,414,059	95,797	8,175	14,661	1,532,692
Borrowings from banks and other financial institutions	68,173	37,883	2,463	229	108,748
Financial assets sold under repurchase agreements	109,171	15,902	6,590	–	131,663
Deposits from customers	4,105,901	163,820	20,493	10,029	4,300,243
Debt securities issued	624,546	3,653	–	–	628,199
Lease liabilities	8,928	–	130	–	9,058
Other liabilities	105,660	12,426	2,988	2,112	123,186
Total liabilities	6,617,409	329,481	40,839	27,031	7,014,760
Net position	518,490	51,161	12,831	44,209	626,691
Foreign currency derivatives	45,164	13,774	(25,559)	(30,818)	2,561
Off-balance sheet credit commitments	1,202,433	39,611	3,621	3,924	1,249,589

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

	31 December 2022				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	296,558	41,538	292	164	338,552
Balances with banks and other financial institutions	61,541	20,898	3,388	2,878	88,705
Placements with banks and other financial institutions	166,669	11,307	1,975	2,483	182,434
Financial assets held under resale agreements	3,010	–	–	–	3,010
Loans and advances to customers	3,875,087	137,271	34,039	26,585	4,072,982
Financial investments	2,080,228	128,989	3,340	13,313	2,225,870
Long-term receivables	92,706	18,750	–	–	111,456
Other assets	157,821	44,088	5,608	25,147	232,664
Total assets	6,733,620	402,841	48,642	70,570	7,255,673
Liabilities:					
Borrowings from central bank	144,801	–	–	–	144,801
Deposits and placements from banks and other financial institutions	1,374,617	82,331	9,793	12,300	1,479,041
Borrowings from banks and other financial institutions	67,198	34,970	3,061	–	105,229
Financial assets sold under repurchase agreements	85,116	19,024	–	–	104,140
Deposits from customers	3,853,834	150,470	13,293	33,995	4,051,592
Debt securities issued	640,399	7,708	–	–	648,107
Lease liabilities	9,269	–	157	–	9,426
Other liabilities	86,121	12,429	1,937	36	100,523
Total liabilities	6,261,355	306,932	28,241	46,331	6,642,859
Net position	472,265	95,909	20,401	24,239	612,814
Foreign currency derivatives	58,646	(35,918)	(17,236)	(3,157)	2,335
Off-balance sheet credit commitments	1,214,705	44,030	1,672	3,481	1,263,888

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 30 June 2023, assuming other variables remain unchanged, with 1% appreciation of the US dollar against the RMB would increase both the Group's net profit and equity by RMB812 million (31 December 2022 with 1% appreciation: increase by RMB1,054 million); with 1% depreciation of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB812 million (31 December 2022 with 1% depreciation: decrease by RMB1,054 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by 1% against the RMB's average rate on the reporting date;

b. The fluctuation of exchange rates by 1% is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;

c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;

d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;

e. Other variables (including interest rates) remained unchanged; and

f. The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

The Group is affected by the interest rate benchmark reform mainly in business activities, including loans and advances to customers, deposits from customers, debt investments and derivatives etc., that are linked to the London Interbank Offered Rates (LIBOR). The Group pays high attention to the LIBOR reform, and moving forward with updating the product contract wording, system building and customer communication in a well-planned and disciplined manner. Based on its assessment, the Group believes that the LIBOR reform has no significant impact on the Group's financial position and operating results.

(a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses,valuation analyses, sensitivity analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group strengthens interest rate risk management in the banking book by setting risk limits such as duration and valuation loss tolerance. The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs scenario analyses and stress tests on a regular basis, and adjusts asset and liability maturity strategy, interest rates of deposits and loans in both RMB and foreign currencies as well as repricing strategy to manage interest rate risk.

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

	30 June 2023						
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank	348,155	–	–	–	–	6,744	354,899
Balances with banks and other financial institutions	109,196	1,344	3,976	–	–	114	114,630
Placements with banks and other financial institutions	33,825	38,162	89,039	27,158	–	342	188,526
Financial assets held under resale agreements	10,001	–	–	–	–	24	10,025
Loans and advances to customers	825,232	497,031	2,097,476	661,672	209,255	31,601	4,322,267
Financial investments	110,866	116,149	281,378	1,032,098	490,479	261,538	2,292,508
Long-term receivables	17,545	8,179	43,655	41,422	4,827	–	115,628
Other assets	124	541	7	662	–	241,634	242,968
Total assets	1,454,944	661,406	2,515,531	1,763,012	704,561	541,997	7,641,451
Liabilities:							
Borrowings from central bank	8,016	3,993	166,815	–	–	2,147	180,971
Deposits and placements from banks and other financial institutions	633,140	364,869	526,137	14	–	8,532	1,532,692
Borrowings from banks and other financial institutions	25,999	18,998	56,091	5,727	1,153	780	108,748
Financial assets sold under repurchase agreements	76,421	30,642	24,260	–	–	340	131,663
Deposits from customers	2,261,093	258,385	701,326	1,002,549	18,108	58,782	4,300,243
Debt securities issued	93,736	130,084	207,221	105,156	89,991	2,011	628,199
Lease liabilities	259	407	1,997	5,344	1,051	–	9,058
Other liabilities	254	689	4,362	–	–	117,881	123,186
Total liabilities	3,098,918	808,067	1,688,209	1,118,790	110,303	190,473	7,014,760
Interest rate gap	(1,643,974)	(146,661)	827,322	644,222	594,258	351,524	626,691

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

	31 December 2022						
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank	331,432	–	–	–	–	7,120	338,552
Balances with banks and other financial institutions	82,141	2,621	3,857	–	–	86	88,705
Placements with banks and other financial institutions	19,249	34,145	128,685	–	–	355	182,434
Financial assets held under resale agreements	2,985	–	–	–	–	25	3,010
Loans and advances to customers	1,156,390	429,945	1,751,652	490,349	215,169	29,477	4,072,982
Financial investments	45,168	24,346	568,216	901,670	389,955	296,515	2,225,870
Long-term receivables	19,316	9,353	43,412	34,429	4,946	–	111,456
Other assets	779	–	165	41	–	231,679	232,664
Total assets	1,657,460	500,410	2,495,987	1,426,489	610,070	565,257	7,255,673
Liabilities:							
Borrowings from central bank	10,060	30,141	102,847	–	–	1,753	144,801
Deposits and placements from banks and other financial institutions	644,502	262,009	566,149	–	–	6,381	1,479,041
Borrowings from banks and other financial institutions	30,582	23,279	37,175	12,703	917	573	105,229
Financial assets sold under repurchase agreements	48,603	30,327	24,740	110	–	360	104,140
Deposits from customers	2,106,000	302,295	742,430	842,802	–	58,065	4,051,592
Debt securities issued	13,597	232,358	228,589	79,994	89,991	3,578	648,107
Lease liabilities	302	487	2,026	5,440	1,171	–	9,426
Other liabilities	–	–	4,679	–	–	95,844	100,523
Total liabilities	2,853,646	880,896	1,708,635	941,049	92,079	166,554	6,642,859
Interest rate gap	(1,196,186)	(380,486)	787,352	485,440	517,991	398,703	612,814

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

If yield curves for respective currencies move in parallel for 100 basis points on 1 July, their potential impact on the Group's net interest income and shareholders' equity for the following year is as follows:

	30 June 2023 (Loss)/Gain	31 December 2022 (Loss)/Gain
Up 100 bps parallel shift in yield curves	**(9,425)**	(8,132)
Down 100 bps parallel shift in yield curves	**9,425**	8,132

In performing the interest rate sensitivity analysis, the Group and the Bank has made general assumptions in defining business terms and financial parameters, but have not considered the following:

a. business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;

b. the impact of interest rate fluctuations on customers' behaviour;

c. the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;

d. the impact of interest rate fluctuations on market prices;

e. the impact of interest rate fluctuations on off-balance sheet products;

f. the impact of interest rate fluctuations on fair value of financial instruments;

g. other variables (including foreign exchange rate); and

h. other risk management measures in the Group.

10 Financial risk management *(continued)*

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(1) Liquidity risk management policy *(continued)*

To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;

To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios, net stable funding ratios and liquidity matching rate;

To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;

To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis

The following tables present the maturity analysis of assets and liabilities of the Group as at the end of the reporting period. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments in financial investment; and repayable on demand with respect to loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

	30 June 2023							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	301,866	53,033	–	–	–	–	–	354,899
Balances with banks and other financial institutions	–	107,561	1,729	1,349	3,991	–	–	114,630
Placements with banks and other financial institutions	627	–	33,261	38,242	89,211	27,185	–	188,526
Financial assets held under resale agreements	430	–	9,595	–	–	–	–	10,025
Loans and advances to customers	54,817	5,757	381,004	295,015	1,294,535	1,147,485	1,143,654	4,322,267
Financial investments	244,491	–	89,981	103,452	274,795	1,083,024	496,765	2,292,508
Long-term receivables	6,076	2,815	4,151	8,312	37,730	51,429	5,115	115,628
Other assets	179,961	1,230	9,526	12,413	27,419	9,716	2,703	242,968
Total assets	788,268	170,396	529,247	458,783	1,727,681	2,318,839	1,648,237	7,641,451

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis *(continued)*

	30 June 2023							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	–	–	8,234	4,070	168,667	–	–	180,971
Deposits and placements from banks and other financial institutions	–	460,069	178,748	366,316	527,545	14	–	1,532,692
Borrowings from banks and other financial institutions	–	–	18,847	15,441	59,003	12,855	2,602	108,748
Financial assets sold under repurchase agreements	–	–	76,567	30,744	24,352	–	–	131,663
Deposits from customers	–	2,125,433	166,577	262,874	710,885	1,016,366	18,108	4,300,243
Debt securities issued	–	–	90,145	130,100	210,876	106,485	90,593	628,199
Lease liabilities	–	–	259	407	1,997	5,344	1,051	9,058
Other liabilities	2,807	359	25,314	39,419	41,238	13,040	1,009	123,186
Total liabilities	2,807	2,585,861	564,691	849,371	1,744,563	1,154,104	113,363	7,014,760
Net position	785,461	(2,415,465)	(35,444)	(390,588)	(16,882)	1,164,735	1,534,874	626,691
Notional amount of derivatives	–	–	675,589	813,896	1,760,266	816,834	3,799	4,070,384

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis *(continued)*

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	312,268	26,284	–	–	–	–	–	338,552
Balances with banks and other financial institutions	–	80,919	1,279	2,629	3,878	–	–	88,705
Placements with banks and other financial institutions	669	–	18,657	34,219	128,889	–	–	182,434
Financial assets held under resale agreements	459	–	2,551	–	–	–	–	3,010
Loans and advances to customers	48,651	8,812	369,624	275,822	1,250,221	1,052,778	1,067,074	4,072,982
Financial investments	289,432	–	52,147	86,791	447,722	954,406	395,372	2,225,870
Long-term receivables	5,613	1,112	5,332	6,781	35,159	52,490	4,969	111,456
Other assets	174,042	3,465	9,206	15,548	19,644	7,815	2,944	232,664
Total assets	831,134	120,592	458,796	421,790	1,885,513	2,067,489	1,470,359	7,255,673
Liabilities:								
Borrowings from central bank	–	–	10,334	30,875	103,592	–	–	144,801
Deposits and placements from banks and other financial institutions	–	454,718	194,279	262,911	567,133	–	–	1,479,041
Borrowings from banks and other financial institutions	–	–	19,475	19,687	41,573	21,716	2,778	105,229
Financial assets sold under repurchase agreements	–	–	48,707	30,452	24,870	111	–	104,140
Deposits from customers	–	1,970,754	166,306	306,641	753,044	854,847	–	4,051,592
Debt securities issued	–	–	15,049	232,495	230,578	79,994	89,991	648,107
Lease liabilities	–	–	302	487	2,026	5,440	1,171	9,426
Other liabilities	5,226	345	13,607	25,777	41,601	13,272	695	100,523
Total liabilities	5,226	2,425,817	468,059	909,325	1,764,417	975,380	94,635	6,642,859
Net position	825,908	(2,305,225)	(9,263)	(487,535)	121,096	1,092,109	1,375,724	612,814
Notional amount of derivatives	–	–	606,557	762,778	1,610,652	825,589	6,235	3,811,811

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than 1 month, and also equity investments and fund investments in financial investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than 1 month.

	30 June 2023							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Assets:								
Cash and balances with central bank	301,866	53,033	–	–	–	–	–	354,899
Balances with banks and other financial institutions	–	107,567	1,741	1,363	4,068	–	–	114,739
Placements with banks and other financial institutions	1,939	–	33,334	39,185	91,069	27,252	–	192,779
Financial assets held under resale agreements	458	–	9,597	–	–	–	–	10,055
Loans and advances to customers	98,168	6,297	398,096	328,631	1,417,112	1,458,649	1,566,958	5,273,911
Financial investments	326,984	–	117,326	122,403	307,464	1,264,852	601,573	2,740,602
Long-term receivables	9,087	3,038	4,511	9,071	41,618	59,983	6,948	134,256
Other assets	181,779	1,230	1,843	2,360	8,871	5,566	5,563	207,212
Total assets (expected maturity date)	920,281	171,165	566,448	503,013	1,870,202	2,816,302	2,181,042	9,028,453

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities *(continued)*

	30 June 2023							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Liabilities:								
Borrowings from central bank	–	–	8,242	4,072	171,228	–	–	183,542
Deposits and placements from banks and other financial institutions	–	460,082	178,848	369,583	530,720	15	–	1,539,248
Borrowings from banks and other financial institutions	–	–	18,870	15,757	60,229	14,296	2,898	112,050
Financial assets sold under repurchase agreements	–	–	76,585	30,910	24,750	–	–	132,245
Deposits from customers	–	2,125,433	168,523	264,572	724,857	1,037,068	18,133	4,338,586
Debt securities issued	–	–	90,345	130,575	220,971	123,602	95,542	661,035
Lease liabilities	–	–	283	443	2,178	5,829	1,146	9,879
Other liabilities	2,807	359	17,054	28,515	20,898	10,733	976	81,342
Total liabilities (contractual maturity date)	2,807	2,585,874	558,750	844,427	1,755,831	1,191,543	118,695	7,057,927

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities *(continued)*

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Assets:								
Cash and balances with central bank	312,268	26,284	–	–	–	–	–	338,552
Balances with banks and other financial institutions	–	80,922	1,280	2,640	3,913	–	–	88,755
Placements with banks and other financial institutions	1,946	–	19,323	35,239	130,545	–	–	187,053
Financial assets held under resale agreements	464	–	2,565	–	–	–	–	3,029
Loans and advances to customers	90,890	10,803	383,975	303,587	1,358,172	1,302,221	1,483,538	4,933,186
Financial investments	290,165	–	51,415	85,583	445,120	949,165	392,826	2,214,274
Long-term receivables	8,889	1,227	5,639	7,402	38,875	61,325	6,668	130,025
Other assets	175,556	3,464	3,165	4,041	7,546	4,727	5,432	203,931
Total assets (expected maturity date)	880,178	122,700	467,362	438,492	1,984,171	2,317,438	1,888,464	8,098,805
Liabilities:								
Borrowings from central bank	–	–	10,345	30,995	105,617	–	–	146,957
Deposits and placements from banks and other financial institutions	–	454,718	194,364	263,362	569,656	–	–	1,482,100
Borrowings from banks and other financial institutions	–	–	19,527	20,124	43,085	23,489	3,140	109,365
Financial assets sold under repurchase agreements	–	–	48,729	30,583	25,613	116	–	105,041
Deposits from customers	–	1,970,754	168,228	318,342	754,766	944,257	–	4,156,347
Debt securities issued	–	–	15,576	233,460	235,217	99,535	95,542	679,330
Lease liabilities	–	–	330	533	2,216	5,951	1,281	10,311
Other liabilities	5,226	345	7,763	21,811	26,432	11,712	675	73,964
Total liabilities (contractual maturity date)	5,226	2,425,817	464,862	919,210	1,762,602	1,085,060	100,638	6,763,415

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(4) Analysis on contractual undiscounted cash flows of derivatives

(a) Derivatives settled on a net basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Interest rate derivatives	Interest rate swaps
Credit derivatives	Credit default swaps

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

	30 June 2023					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives	84	728	2,044	(40)	–	2,816
Interest rate derivatives	31	65	228	324	9	657
Credit derivatives	4	–	8	47	–	59
Total	119	793	2,280	331	9	3,532

	31 December 2022					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives	(129)	230	1,993	(2)	–	2,092
Interest rate derivatives	(30)	(36)	(101)	(85)	20	(232)
Credit derivatives	1	–	–	29	–	30
Total	(158)	194	1,892	(58)	20	1,890

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(4) Analysis on contractual undiscounted cash flows of derivatives *(continued)*

(b) Derivatives settled on a gross basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards, swaps

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

	30 June 2023					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(128,236)	(90,658)	(127,308)	(164,818)	–	(511,020)
– Cash inflow	128,667	90,815	125,365	165,918	–	510,765
Precious metal derivatives						
– Cash outflow	(16,773)	(32,048)	(27,873)	–	–	(76,694)
– Cash inflow	15,830	29,924	26,264	–	–	72,018
Total cash outflow	(145,009)	(122,706)	(155,181)	(164,818)	–	(587,714)
Total cash inflow	144,497	120,739	151,629	165,918	–	582,783

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(4) Analysis on contractual undiscounted cash flows of derivatives *(continued)*

(b) Derivatives settled on a gross basis *(continued)*

	31 December 2022					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(94,432)	(120,764)	(138,759)	(129,570)	–	(483,525)
– Cash inflow	93,639	121,567	139,889	128,673	–	483,768
Precious metal derivatives						
– Cash outflow	(12,435)	(37,107)	(27,773)	–	–	(77,315)
– Cash inflow	12,611	35,468	26,003	–	–	74,082
Total cash outflow	(106,867)	(157,871)	(166,532)	(129,570)	–	(560,840)
Total cash inflow	106,250	157,035	165,892	128,673	–	557,850

(5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	30 June 2023			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Bank acceptances	**480,436**	**–**	**–**	**480,436**
Letters of credit	**95,216**	**998**	**–**	**96,214**
Guarantees	**89,731**	**34,513**	**190**	**124,434**
Unused credit card commitments	**505,057**	**–**	**–**	**505,057**
Irrevocable credit commitments	**30,048**	**9,863**	**3,537**	**43,448**
Total	**1,200,488**	**45,374**	**3,727**	**1,249,589**

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(5) Analysis on contractual undiscounted cash flows of commitments *(continued)*

	31 December 2022			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	495,920	–	–	495,920
Letters of credit	81,938	237	–	82,175
Guarantees	94,865	37,652	1,878	134,395
Unused credit card commitments	489,137	–	–	489,137
Irrevocable credit commitments	45,147	16,351	763	62,261
Total	1,207,007	54,240	2,641	1,263,888

10.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

During the reporting period, the Bank optimized its operational risk management system, enhanced the closed-loop management process, refined operational risk management tools, and improved the granular level of operational risk management. As part of its efforts to promote the implementation of new standard approach for operational risk under Basel III, the Bank carries out a series of preparatory work including policies review, measurement and calculation, system construction, training and publicity to meet regulatory compliance. To implement new outsourcing risk control mechanisms, the Bank supervises outsourcing projects across the Bank. The Bank also continuously improves the business continuity management system, updates business impact analysis and risk assessment results and organises comprehensive practices across the Bank to enhance its ability to tackle with operational disruption events.

10 Financial risk management *(continued)*

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of polices to accrue country risk reserve.

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2013, the Group computes the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 of *The Capital Rules for Commercial Banks (Provisional)*, and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The Group's capital adequacy ratios are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations. For the Group, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.75%, 8.75% and 10.75%, respectively.

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10 Financial risk management *(continued)*

10.7 Capital management *(continued)*

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with *The Capital Rules for Commercial Banks (Provisional)* and relevant requirements as below:

	30 June 2023	31 December 2022
Core tier-one capital adequacy ratio	8.90%	9.17%
Tier-one capital adequacy ratio	10.54%	10.91%
Capital adequacy ratio	12.69%	13.14%
Components of capital base		
Core tier-one capital:		
Share capital	43,782	43,782
Valid portion of capital reserve	58,149	58,149
Surplus reserve	55,276	55,276
General reserve	90,673	90,494
Retained earnings	268,624	257,877
Valid portion of non-controlling interests	8,187	7,943
Others	1,953	(612)
Core tier-one capital	526,644	512,909
Core tier-one capital deductions	(7,103)	(6,931)
Net core tier-one capital	519,541	505,978
Net other tier-one capital	96,054	96,021
Net tier-one capital	615,595	601,999
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	89,991	89,991
Surplus provision for loan impairment	33,365	31,028
Valid portion of non-controlling interests	2,183	2,118
Net tier-two capital	125,539	123,137
Net capital base	741,134	725,136
Credit risk-weighted assets	5,455,125	5,144,232
Market risk-weighted assets	82,866	72,760
Operational risk-weighted assets	300,297	300,297
Total risk-weighted assets	5,838,288	5,517,289

11 Fair value of financial instruments

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities 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 Trust & Clearing Co., Ltd., which are determined based on the valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like China Bond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Wind, Bloomberg and Reuters.

Level 3: Parameters for valuation of assets or liabilities are based on unobservable inputs. The Level 3 financial instruments include equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs. The valuation models used include the discounted cash flow method and the market approach, etc. Unobservable inputs for valuation models include yield curve, discounts for lack of marketability (DLOM) and comparable company multiples, etc.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value

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

	30 June 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	144,748	2,296	147,044
Equity investments	918	1,905	17,165	19,988
Investment funds	182,265	19,118	804	202,187
Trust and asset management plans	–	11,097	5,086	16,183
Others	63	–	1,117	1,180
Financial assets at fair value through other comprehensive income				
Debt securities	–	398,960	804	399,764
Equity investments	12	3,989	5,831	9,832
Loans and advances to customers designated at fair value through other comprehensive income	–	291,947	–	291,947
Derivative financial assets				
Foreign exchange derivatives	–	36,547	–	36,547
Interest rate derivatives	–	2,740	–	2,740
Precious metal derivatives	–	1,333	–	1,333
Others	–	15	–	15
Total	183,258	912,399	33,103	1,128,760
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(34,961)	–	(34,961)
Interest rate derivatives	–	(782)	–	(782)
Precious metal derivatives	–	(6,097)	–	(6,097)
Others	–	(4)	–	(4)
Financial liabilities at fair value through profit or loss	–	(20,470)	(36)	(20,506)
Total	–	(62,314)	(36)	(62,350)

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

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

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	110,412	2,229	112,641
Equity investments	1,047	1,698	18,682	21,427
Investment funds	220,666	12,311	2,475	235,452
Trust and asset management plans	–	9,412	4,773	14,185
Others	4,186	–	1,179	5,365
Financial assets at fair value through other comprehensive income				
Debt securities	–	461,778	841	462,619
Equity investments	–	5,331	5,261	10,592
Loans and advances to customers designated at fair value through other comprehensive income	–	254,775	–	254,775
Derivative financial assets				
Foreign exchange derivatives	–	29,129	–	29,129
Interest rate derivatives	–	2,889	–	2,889
Precious metal derivatives	–	1,836	–	1,836
Others	–	24	–	24
Total	225,899	889,595	35,440	1,150,934
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(26,883)	–	(26,883)
Interest rate derivatives	–	(589)	–	(589)
Precious metal derivatives	–	(5,186)	–	(5,186)
Others	–	(17)	–	(17)
Financial liabilities at fair value through profit or loss	–	(1,645)	(270)	(1,915)
Total	–	(34,320)	(270)	(34,590)

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

For equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of Level 3 financial instruments during the period:

	Six months ended 30 June 2023					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities	Total		
As at 1 January 2023	29,338	841	5,261	35,440	270	270
Total (losses)/gains						
In profit or loss	(2,325)	(3)	–	(2,328)	–	–
In other comprehensive income	–	(34)	569	535	–	–
Purchase/transfer in	108	–	1	109	–	–
Settlement/transfer out	(653)	–	–	(653)	(234)	(234)
As at 30 June 2023	26,468	804	5,831	33,103	36	36
Total realised gains/(losses) included in the consolidated statement of profit or loss	–	–	–	–	–	–
Total unrealised losses included in the consolidated statement of profit or loss	(2,325)	(3)	–	(2,328)	–	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments *(continued)*

11.2 Movement in level 3 financial instruments measured at fair value *(continued)*

The following table shows the movement of Level 3 financial instruments during the period *(continued)*:

	Year ended 31 December 2022					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			Financial assets at fair value through profit or loss liabilities	
		Debt securities	Equity securities	Total		Total liabilities
As at 1 January 2022	31,200	622	2,625	34,447	–	–
Total gains/(losses)						
In profit or loss	(5,262)	(191)	–	(5,453)	–	–
In other comprehensive income	–	(74)	2,636	2,562	–	–
Purchase/transfer in	4,637	828	–	5,465	270	270
Settlement/transfer out	(1,237)	(344)	–	(1,581)	–	–
As at 31 December 2022	29,338	841	5,261	35,440	270	270
Total realised gains/(losses) included in the consolidated statement of profit or loss	70	(135)	–	(65)	–	–
Total unrealised losses included in the consolidated statement of profit or loss	(5,332)	(56)	–	(5,388)	–	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments *(continued)*

11.3 Fair value of financial assets and liabilities not carried at fair value

(1) Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, central bank deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

(2) Financial investments measured at amortised cost

The fair value for financial assets measured at amortised cost-bonds is usually measured based on "bid" market prices or brokers'/dealers' quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, materiality and yield.

(3) Debt securities issued

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

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

	30 June 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,496,330	1,459,589	–	1,435,220	24,369
Financial liabilities					
Debt securities issued	628,199	622,037	–	622,037	–

(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments *(continued)*

11.3 Fair value of financial assets and liabilities not carried at fair value *(continued)*

(3) Debt securities issued *(continued)*

	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,363,589	1,368,109	–	1,308,374	59,735
Financial liabilities					
Debt securities issued	648,107	645,077	–	645,077	–

12 Subsequent events

Up to the approval date of the interim financial information, the Group has no material subsequent events for disclosure.

13 Comparative figures

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio

	As at 30 June 2023	Average for the six months ended 30 June 2023	As at 31 December 2022	Average for the six months ended 30 June 2022
Liquidity coverage ratio (%) (RMB and foreign currency)	**131.84**	**127.98**	134.89	135.95

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

2 Currency concentration

		30 June 2023			
		USD	**HKD**	**Others**	**Total**
Spot assets		**384,760**	**54,954**	**71,932**	**511,646**
Spot liabilities		**(323,572)**	**(40,523)**	**(27,031)**	**(391,126)**
Forward purchases		**1,054,174**	**8,939**	**60,603**	**1,123,716**
Forward sales		**(1,022,276)**	**(34,498)**	**(113,257)**	**(1,170,031)**
Net long/(short) position	(a)	**93,086**	**(11,128)**	**(7,753)**	**74,205**

		31 December 2022			
		USD	HKD	Others	Total
Spot assets		392,363	48,213	71,325	511,901
Spot liabilities		313,080	29,156	46,331	388,567
Forward purchases		920,762	11,202	105,700	1,037,664
Forward sales		(947,289)	(28,438)	(133,218)	(1,108,945)
Net long position	(a)	678,916	60,133	90,138	829,187

(a) The net position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reporting periods.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

3 Loans and advances to customers

3.1 Impaired loans by geographical area

	30 June 2023		31 December 2022	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	**15,615**	**13,121**	14,565	12,418
Bohai Rim	**19,358**	**8,162**	14,484	8,281
Western Region	**14,317**	**6,005**	15,637	6,392
Yangtze River Delta	**11,806**	**4,137**	8,837	3,877
Pearl River Delta	**9,220**	**4,727**	10,101	4,428
Central Region	**8,727**	**3,386**	11,794	4,609
North-Eastern Region	**4,769**	**1,716**	2,369	785
Overseas and subsidiaries	**2,676**	**1,258**	1,352	726
Total	**86,488**	**42,512**	79,139	41,516

3.2 Loans overdue for more than 3 months by geographical area

	30 June 2023		31 December 2022	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	**15,590**	**13,100**	13,746	11,970
Western Region	**10,526**	**4,237**	11,430	4,551
Yangtze River Delta	**9,886**	**3,376**	7,016	3,107
Pearl River Delta	**8,130**	**4,304**	9,854	4,335
Bohai Rim	**7,772**	**3,567**	6,821	4,324
Central Region	**6,619**	**2,711**	7,518	3,222
North-Eastern Region	**4,443**	**1,587**	2,013	649
Overseas and subsidiaries	**2,439**	**1,060**	1,455	718
Total	**65,405**	**33,942**	59,853	32,876

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 International claims

	30 June 2023				
	Asia Pacific	**North and South America**	**Europe**	**Other Locations**	**Total**
Banks	**36,540**	**25,157**	**18,598**	**6,076**	**86,371**
Public sector	**5,370**	**52,615**	**–**	**5,120**	**63,105**
Non-bank private sector	**123,105**	**96,553**	**34,272**	**24,996**	**278,926**
Total	**165,015**	**174,325**	**52,870**	**36,192**	**428,402**

	31 December 2022				
	Asia Pacific	North and South America	Europe	Other Locations	Total
Banks	32,615	27,320	14,223	832	74,990
Public sector	4,431	54,257	259	–	58,947
Non-bank private sector	113,349	138,441	28,825	20,535	301,150
Total	150,395	220,018	43,307	21,367	435,087

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 234 to 441, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments
- Consolidation of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments	
Refer to Note 2.10, Note 3.2, Note 4.16 and Note 4.17 to the consolidated financial statements. As at 31 December 2022, gross loans and advances to customers and accrued interest, as presented in the Group's consolidated statement of financial position, amounted to RMB4,170,621 million, for which the management recognized an impairment allowance of RMB98,868 million; total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,837,500 million, for which the management recognized an impairment allowance of RMB13,113 million.	We obtained an understanding of the management's internal control and assessment process of ECL for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated and tested the key internal controls relating to ECL for loans and advances to customers, and financial investments, primarily including: (1) Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models;

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments *(continued)*	
The balances of allowances for impairment losses for loans and advances to customers and financial investments represent the management's best estimates of expected credit losses ("ECL") at the reporting date by applying ECL models under International Financial Reporting Standard 9: Financial Instruments. The management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments in stages 1 and 2, and all personal loans, the management assesses allowance for impairment losses using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default and exposure at default. For corporate loans and financial investments in stage 3, the management assesses allowance for impairment losses using discounted cash flows model. The models of ECL involves significant management judgments and assumptions, primarily including: (1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;	(2) Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults and credit-impaired and forward-looking adjustments; (3) Internal controls over the accuracy and completeness of key inputs used in the models; (4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments in stage 3; (5) Internal controls over the information systems for ECL measurement. (6) Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments. The substantive procedures we preformed primarily included: According to the risk characteristics of assets, we evaluated the reasonableness of segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted in ECL measurement by comparing with the industry practice. We also examined the ECL calculations on a sample basis, to test whether or not the models reflect the modelling methodologies documented by the management.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments *(continued)*	
(2) Criteria for determining whether or not there is a significant increase in credit risk, or a default and impairment loss is incurred; (3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; (4) The estimation of future cash flows for corporate loans and financial investments in stage 3. The management established governance processes and internal controls for the measurement of ECL. For the measurement of ECL, the management adopted complex models, used numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the loans and advances to customers, financial investments and the related impairment allowance involve significant amounts, and the measurement has a high degree of estimation uncertainty. In view of these reasons, we identified this as a key audit matter.	We have examined the accuracy of data inputs for the ECL models, and evaluated the reasonableness of the relevant parameters, covering: (i) examination of supporting information on a sample basis, including contractual information, such as maturity dates, and borrowers' financial and non-financial information at historical and reporting date, which have been agreed with the underlying data used to generate probability of default and internal credit ratings, and assessment of the reasonableness of probability of default; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts on a sample basis and assessment of the reasonableness of exposure at default. We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired. For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of correlation with the performance of the credit risk portfolios by using statistical techniques. We evaluated the reasonableness of the prediction of economic indicators by performing back-testing and comparing with available forecasts from third-party institutions. In addition, we performed sensitivity analysis on the economic indicators and weightings under different economic scenarios.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments *(continued)*	
	For corporate loans and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the management based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of impairment allowance. Based on the procedures performed, we considered that the models, key parameters, significant judgement and assumptions adopted in the ECL measurement together with the measurement results were acceptable.
Consolidation of structured entities	
Refer to Note 2.4(1), Note 3.5 and Note 7 to the consolidated financial statements. Structured entities primarily included wealth management products, asset-backed securities, funds, trust plans and asset management plans invested, sponsored and managed by the Group. As at 31 December 2022, the carrying amount of unconsolidated structured entities invested by the Group amounted to RMB514,005 million. In addition, as at 31 December 2022, the balances of wealth management products, funds and asset management plans sponsored and managed by the Group which were not included in the consolidated statement of financial position were RMB883,977 million and RMB161,998 million, respectively.	We understood, evaluated and tested the Group's relevant key internal controls over consolidation assessment of structured entities. These included controls over management's assessment of the transaction structures and contractual terms, calculations of variable returns, as well as approval of the consolidation assessment results. We selected samples of structured entities and performed the following tests: • reviewed contracts and other supporting documents, analysed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities. • performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income, asset management fees, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities *(continued)*	
Management had determined whether the Group had control of certain structured entities based on the assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. The significant judgement exercised by management in assessing whether the Group had control of structured entities and the significant amount of such structured entities resulted in this matter being identified as a key area of audit focus.	• assessed whether the Group acted as a principal or an agent, through analysis and assessment of the scope of the Group's decision-making authority over the structured entities, the remuneration to which the Group was entitled for asset management services, the Group's exposure to variability of returns from other interests in the structured entities, and the rights held by other parties in the structured entities. Based on the procedures performed, we found management's consolidation judgement of these structured entities acceptable.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Sheung Yuen, Shirley.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December 2022	2021
Interest income		**262,937**	277,679
Interest expense		**(155,474)**	(151,904)
Net interest income	1	**107,463**	125,775
Fee and commission income		**25,470**	33,135
Fee and commission expense		**(5,196)**	(5,569)
Net fee and commission income	2	**20,274**	27,566
Net trading gain	3	**4,690**	3,110
Net gain from investment securities	4	**4,357**	7,346
Including: disposals of financial assets measured at amortised cost		**2,202**	744
Net other operating income	5	**2,435**	1,757
Operating expenses	6	**(52,602)**	(51,181)
Credit impairment losses	7	**(48,762)**	(77,398)
Other impairment losses		**(685)**	(1,375)
Profit before income tax		**37,170**	35,600
Income tax expense	9	**(1,393)**	(747)
Net profit		**35,777**	34,853
Net profit attributable to:			
Equity holders of the Bank		**35,269**	34,381
Non-controlling interests		**508**	472
Earnings per share (expressed in RMB Yuan)			
Basic and diluted earnings per share	10	**0.71**	0.71

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2022	2021
Net profit	**35,777**	34,853
Other comprehensive income of the year, net of tax	**(846)**	2,271
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	**1,517**	(12)
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	**(2,824)**	1,934
Allowance for impairment losses	**(521)**	471
Effective hedging portion of gains or losses arising from cash flow hedging instruments	**8**	17
Exchange difference on translating foreign operations	**974**	(139)
Total comprehensive income of the year	**34,931**	37,124
Total comprehensive income attributable to:		
Equity holders of the Bank	**34,143**	36,614
Non-controlling interests	**788**	510

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2022	31 December 2021
ASSETS			
Cash and balances with central bank	11	**338,552**	361,302
Balances with banks and other financial institutions	12	**88,705**	92,546
Precious metals		**25,167**	13,189
Placements with banks and other financial institutions	13	**182,434**	158,768
Derivative financial assets	14	**33,878**	27,461
Financial assets held under resale agreements	15	**3,010**	1,362
Loans and advances to customers	16	**4,072,982**	3,967,679
Financial investments:	17		
– Financial assets at fair value through profit or loss		**389,070**	300,684
– Financial assets at fair value through other comprehensive income		**473,211**	435,529
– Financial assets measured at amortised cost		**1,363,589**	1,298,220
Long-term receivables	18	**111,456**	122,716
Property and equipment	19	**58,896**	56,786
Right-of-use assets	20(1)	**13,146**	14,105
Deferred income tax assets	21	**55,701**	51,904
Investments in associates	22(3)	**–**	2
Other assets	23	**45,876**	50,533
Total assets		**7,255,673**	6,952,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2022	31 December 2021
LIABILITIES			
Borrowings from central bank		**144,801**	279,787
Deposits and placements from banks and other financial institutions	25	**1,479,041**	1,294,358
Financial liabilities at fair value through profit or loss		**1,915**	2,856
Borrowings from banks and other financial institutions	26	**105,229**	114,461
Derivative financial liabilities	14	**32,675**	26,114
Financial assets sold under repurchase agreements	27	**104,140**	36,485
Deposits from customers	28	**4,051,592**	3,825,693
Lease liabilities	20(2)	**9,426**	10,225
Provisions	29	**2,456**	2,250
Debt securities issued	30	**648,107**	711,024
Current income tax liabilities		**5,040**	8,811
Deferred income tax liabilities	21	**236**	247
Other liabilities	31	**58,201**	53,936
Total liabilities		**6,642,859**	6,366,247

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2022	31 December 2021
EQUITY			
Share capital	32	**43,782**	43,782
Other equity instrument		**94,962**	89,964
Including: Preference shares	33	**19,975**	19,975
Perpetual bonds	34	**74,987**	69,989
Reserves			
Capital reserve	32	**58,149**	58,149
Surplus reserve	36	**55,276**	51,843
General reserve	36	**90,494**	87,013
Other reserves		**(612)**	385
Retained earnings	36	**257,877**	243,144
Total equity attributable to equity holders of the Bank		**599,928**	574,280
Non-controlling interests		**12,886**	12,259
Total equity		**612,814**	586,539
Total liabilities and equity		**7,255,673**	6,952,786

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

Approved and authorised for issue by the Board of Directors on 27 March 2023.

Gao Yingxin
Chairman

Zheng Wanchun
Vice Chairman and President

Liu Ningyu
Director

(Company Seal)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
			Reserves									
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	32	33&34	32	36	36	39		39	36		37	
At 31 December 2021	43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539
(I) Net profit	-	-	-	-	-	-	-	-	35,269	35,269	508	35,777
(II) Other comprehensive income, net of tax	-	-	-	-	-	(1,781)	647	8	-	(1,126)	280	(846)
Total comprehensive income	-	-	-	-	-	(1,781)	647	8	35,269	34,143	788	34,931
(III) Capital injection and deduction by equity holders												
1. Capital injection by other equity instrument holders	-	4,998	-	-	-	-	-	-	-	4,998	-	4,998
(IV) Profit distribution												
1. Appropriation to surplus reserve	-	-	-	3,433	-	-	-	-	(3,433)	-	-	-
2. Appropriation to general reserve	-	-	-	-	3,481	-	-	-	(3,481)	-	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,202)	(10,202)	(129)	(10,331)
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,230)	(3,230)	-	(3,230)
(V) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	129	-	-	(129)	-	-	-
(VI) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(61)	(61)	(32)	(93)
At 31 December 2022	43,782	94,962	58,149	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
			Reserves									
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	32	33&34	32	36	36	39		39	36		37	
At 31 December 2020	43,782	69,860	57,419	48,479	86,599	(1,740)	(85)	(24)	225,247	529,537	11,711	541,248
(I) Net profit	–	–	–	–	–	–	–	–	34,381	34,381	472	34,853
(II) Other comprehensive income, net of tax	–	–	–	–	–	2,312	(96)	17	–	2,233	38	2,271
Total comprehensive income	–	–	–	–	–	2,312	(96)	17	34,381	36,614	510	37,124
(III) Capital injection and deduction by equity holders												
1. Capital injection by other equity instrument holders	–	29,996	–	–	–	–	–	–	–	29,996	–	29,996
2. Capital deduction by other equity instrument holders	–	(9,892)	730	–	–	–	–	–	–	(9,162)	–	(9,162)
(IV) Profit distribution												
1. Appropriation to surplus reserve	–	–	–	3,364	–	–	–	–	(3,364)	–	–	–
2. Appropriation to general reserve	–	–	–	–	414	–	–	–	(414)	–	–	–
3. Cash dividends	–	–	–	–	–	–	–	–	(10,714)	(10,714)	(72)	(10,786)
4. Perpetual bond interest	–	–	–	–	–	–	–	–	(1,940)	(1,940)	–	(1,940)
(V) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	–	–	–	–	–	1	–	–	(1)	–	–	–
(VI) Others												
1. Capital injection by subsidiaries	–	–	–	–	–	–	–	–	–	–	140	140
2. Subsidiaries shares repurchased	–	–	–	–	–	–	–	–	(51)	(51)	(30)	(81)
At 31 December 2021	43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2022	2021
Cash flows from operating activities:		
Profit before income tax	**37,170**	35,600
Adjustments for:		
– Credit impairment losses	**48,762**	77,398
– Other impairment losses	**685**	1,375
– Depreciation and amortisation	**7,805**	7,407
– (Gains)/Losses on disposal of property and equipment and other long-term assets	**(124)**	11
– Losses from changes in fair value	**8,089**	1,472
– Net gains on disposal of investment securities	**(9,707)**	(8,785)
– Interest expense on debt securities issued	**20,118**	23,352
– Interest expense on lease liabilities	**386**	416
– Interest income from financial investments	**(56,447)**	(58,529)
Subtotal	**56,737**	79,717
Changes in operating assets:		
Net decrease in balances with central bank, banks and other financial institutions	**829**	17,681
Net (increase)/decrease in placements with banks and other financial institutions	**(33,148)**	50,663
Net (increase)/decrease in financial assets held under resale agreements	**(1,649)**	20,083
Net increase in loans and advances to customers	**(144,656)**	(244,767)
Net (increase)/decrease in financial assets held for trading purposes	**(31,455)**	18,604
Net (increase)/decrease in other operating assets	**(16,380)**	8,508
Subtotal	**(226,459)**	(129,228)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2022	2021
Cash flows from operating activities *(continued)*:		
Changes in operating liabilities:		
Net decrease in borrowings from central bank	**(133,367)**	(12,605)
Net increase in deposits from customers	**217,766**	47,587
Net increase in deposits and placements from banks and other financial institutions	**185,579**	221,676
Net increase/(decrease) in financial assets sold under repurchase agreements	**67,415**	(28,541)
Income tax paid	**(9,212)**	(12,982)
Net increase/(decrease) in other operating liabilities	**7,814**	(10,207)
Subtotal	**335,995**	204,928
Net cash generated from operating activities	**166,273**	155,417

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December 2022	2021
Cash flows from investing activities:			
Proceeds from sale and redemption of investments and investment income		**1,035,119**	1,353,113
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**3,071**	2,810
Cash payment for investments		**(1,139,805)**	(1,228,550)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		**(10,712)**	(9,465)
Net cash generated from investing activities		**(112,327)**	117,908
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		**4,998**	29,996
Proceeds from issue of debt securities		**836,972**	766,573
Capital injection by subsidiaries		**–**	140
Capital deduction by holders of other equity instruments		**–**	(9,162)
Repayment of debt securities issued		**(910,525)**	(1,025,490)
Subsidiaries shares repurchased		**(93)**	(81)
Interest paid on debt securities and perpetual bonds issued		**(13,484)**	(14,063)
Dividends paid		**(10,382)**	(10,736)
Cash payment in other financing activities		**(3,691)**	(3,897)
Net cash generated from financing activities		**(96,205)**	(266,720)
Effect of exchange rate changes on cash and cash equivalents		**7,146**	(1,106)
Net (decrease)/increase in cash and cash equivalents		**(35,113)**	5,499
Cash and cash equivalents at 1 January		**163,418**	157,919
Cash and cash equivalents at 31 December	40	**128,305**	163,418

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

1 General information

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

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking and Insurance Regulatory Commission (the former "China Banking Regulatory Commission" and "China Insurance Regulatory Commission", the "CBIRC"), and the business licence as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

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

In these consolidated financial statements for the year ended 31 December 2022, China mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

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

As at 31 December 2022, the Bank had 42 tier-one branches and 33 subsidiaries.

2 Summary of significant accounting policies

The accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622) for this financial year and the comparative period.

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Standards and amendments effective in 2022 relevant to and adopted by the Group

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

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020 cycle

Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.2 Standards and amendments effective in 2022 relevant to and adopted by the Group *(continued)*

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract. The amendments clarify the meaning of 'costs to fulfil a contract', they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The amendments did not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The amendments did not have a significant impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

2.2 Standards and amendments effective in 2022 relevant to and adopted by the Group *(continued)*

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards 2018-2020 cycle

The Annual Improvements to IFRSs 2018 – 2020 Cycle include a number of amendments to various IFRSs:

- IFRS 1 First – time Adoption of International Financial Reporting Standards –allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- IFRS 16 Leases – amendment of its illustrative example to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

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

In current year, the Group has not adopted the following new or amended standards issued by the IASB and the IFRS Interpretations Committee ("IFRIC"), that have been issued but are not yet effective.

Standards/Amendments		Effective date
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred.
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction	1 January 2023
Amendments to IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

And the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;

The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 8: Definition of Accounting Estimates

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

- The IASB clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction

The main change in Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognises deferred tax for all temporary differences related to leases and decommissioning obligations and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IFRS 17: Insurance Contracts

IFRS 17 Insurance Contracts was issued in May 2017 and will be effective from 1 January 2023. IFRS 17 established principles for the recognition, measurement, presentation and disclosure of insurance contracts. The main impacts are as follows:

- IFRS 17 requires that insurance contracts subject to similar risks and managed together shall be included in one portfolio, and each portfolio is further divided into groups of contracts mainly based on factors including profitability of each contract. The unit of account for the recognition and measurement of insurance contracts is each individual group of contracts.

- Investment components are no longer included in insurance revenue or insurance service expenses.

- Under IFRS 17, estimated future profits for a group of insurance contracts are recognized as the contractual service margin within insurance contract liabilities. Such unearned profits will be released and recognized as insurance revenue over the coverage period of the insurance contracts as services are provided.

- IFRS 17 requires the discount rates used in the measurement of insurance contract liabilities shall be consistent with observable current market prices. On the initial application of IFRS 17, the Group is allowed to reassess the classification of financial assets in accordance with IFRS 9. In addition, the Group has an option to present the changes in the measurement of selected insurance contract liabilities due to changes in time value money and other financial risks in other comprehensive income.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

IFRS 16 Amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following: On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.4 Consolidation

(1) Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

2 Summary of significant accounting policies *(continued)*

2.4 Consolidation *(continued)*

(2) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.4 Consolidation *(continued)*

(3) Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(4) Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

2 Summary of significant accounting policies *(continued)*

2.4 Consolidation *(continued)*

(4) Investment in associate *(continued)*

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

For specific accounting policies related to the interest income of financial assets and the interest expense of financial liabilities, please refer to the Note 2.10(4) Subsequent measurement of financial instruments.

2.6 Fee and commission income

Fee and commission income is recognized when the Group fulfils its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement and clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

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2 Summary of significant accounting policies *(continued)*

2.7 Foreign currency translations

The functional currency of the Domestic Operations is Chinese Renminbi ("RMB"). The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for the following:

(1) Exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;

(2) Changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through other comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

2 Summary of significant accounting policies *(continued)*

2.8 Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies *(continued)*

2.9 Employee benefits

(1) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss, including salaries, bonuses, allowance, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labour union fee and staff and workers' education fee.

(2) Post-employment benefits-defined contribution plans

The Group's post-employment benefits are primarily the payments for basic pension fund and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. The contribution amounts to the basic pension plan and unemployment insurance program are calculated based on the benchmarks and ratios stipulated by the state. In accordance with relevant annuity policies of the state, the Bank and some subsidiaries have also established supplementary defined contribution retirement plans, or annuity plans, for their qualified employees.

Contributions to the post-employment benefits plans are recognised in the consolidated income statement for the period in which the related payment obligation is incurred.

2.10 Financial instruments

(1) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

For purchases or sales of financial assets in a regular way, the related assets and liabilities are recognized or sold assets are derecognized at the trade date, along with the recognition of gains or losses on disposal and the receivables due from the buyer. The trade date is the date on which the Group commits to purchase or sell the financial asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(1) Initial recognition, classification and measurement of financial instruments *(continued)*

(a) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

Amortized cost ("AC");

Fair value through other comprehensive income ("FVOCI"); or

Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic leading arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(1) Initial recognition, classification and measurement of financial instruments *(continued)*

(a) Financial assets *(continued)*

The classification requirements for debt instruments and equity instruments are described as below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds etc. Classification and measurement of debt instruments depend on the Group's business models for managing the financial asset and the cash flow characteristics of the financial asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- AC: Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding, and that are not designated at FVPL, are measured at amortized cost.

- FVOCI: Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the assets; and the contractual terms give rise on specified dates to cash flows that are SPPI, and that are not designated at FVPL, are measured at FVOCI.

- FVPL: Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(1) Initial recognition, classification and measurement of financial instruments *(continued)*

(b) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at amortized cost and financial liabilities carried at FVPL on initial recognition. Financial liabilities at FVPL is applied to derivative financial liabilities, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expenses incurred on the financial liability; In applying the continued involvement approach of accounting for the measurement of the transferred liability, please refer to the Note 2.10(7) Derecognition of financial assets.

(2) Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(3) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices in an orderly transaction, fair value of other financial instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants. When measuring the asset or liability at fair value, the Group shall use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. These valuation techniques include the use of observable and/or unobservable inputs, and observable inputs are preferred.

(4) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(a) Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income and interest expenses from these financial assets and liability is included in "interest income" and "interest expenses" respectively using the effective interest rate method.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(4) Subsequent measurement of financial instruments *(continued)*

(a) Amortized cost *(continued)*

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "interest income", except for:

- POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost;

- Financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(b) Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(4) Subsequent measurement of financial instruments *(continued)*

(b) Fair value through other comprehensive income *(continued)*

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established.

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

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on a financial assets that is measured at fair value should be recognised in profit or loss.

(d) Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and

- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with the above paragraph will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(5) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument reflects:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) The time value of money; and

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note 10.2(3).

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The definition of credit-impaired financial assets is disclosed in Note 10.2(3).

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(5) Impairment of financial instruments *(continued)*

Financial instruments in Stage 1 have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12m ECL"). Financial instruments in Stage 2 or Stage 3 have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note 10.2(3).

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

(6) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(6) Modification of loans *(continued)*

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(7) Derecognition of financial assets

Financial asset is derecognized when one of the following conditions is met: (i) the Group's contractual rights to the cash flows from the financial asset expire; (ii) the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or (iii) the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

The financial asset has been transferred, if the Group neither transfers nor retains substantially all the risks and rewards of the asset, and retains control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset, whereby the related liabilities is recognized accordingly.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

(8) Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is removed when the obligation specified in the contract is discharged or cancelled or expires in whole or in part. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(9) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

(10) Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

(11) Embedded derivative financial instruments

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

(a) Their economic characteristics and risks are not closely related to those of the host contract;

(b) A separate instrument with the same terms would meet the definition of a derivative; and

(c) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the consolidated income statement unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(12) Hedge accounting

The Group uses cash flow hedge accounting and fair value hedge accounting. The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assesses the hedge effectiveness both at hedge inception and on an ongoing basis.

(a) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in other comprehensive income is immediately transferred to the profit or loss.

(b) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(12) Hedge accounting *(continued)*

(b) Fair value hedge *(continued)*

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(13) Offsetting financial assets and financial liabilities

When the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable, and the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position. Besides, financial assets and liabilities shall be settled respectively but not offset each other. The legally enforceable right of set-off must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(14) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as financial assets before sale or loan. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note 6.3 Contingent Liabilities and Commitments – Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related financial assets accepted is not recognized in the consolidated statement of financial position (Note 6.3 Contingent Liabilities and Commitments – Collateral).

The difference between the purchase and sale price is recognized as interest expense or income over the term of the agreements using the effective interest method.

2.11 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.12 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Depreciation is recognized as a component of operating expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	5 – 30 years	5%	3.17% – 19.00%
Operating equipment	3 – 20 years	5%	4.75% – 31.67%
Scientific and technological equipment	3 – 10 years	5%	9.50% – 31.67%
Transportation facility	5 years	5%	19.00%
Other fixed assets	5 – 30 years	5%	3.17% – 19.00%

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2 Summary of significant accounting policies *(continued)*

2.12 Property and equipment *(continued)*

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

2.13 Land use rights

Land use rights are classified in right-of-use assets and amortized over a straight-line basis over their authorized useful lives.

2.14 Foreclosed assets

Foreclosed financial assets are initially recognized at fair value, and foreclosed non-financial assets are initially measured at the fair value of the waived creditors' rights and other costs such as taxes directly attributable to the assets. At the end of each reporting period, foreclosed non-financial assets are measured at the lower of their carrying amount and fair value less costs to sell. When the fair value less costs to sell is lower than a foreclosed non-financial asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

When a foreclosed asset is disposed, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

When a foreclosed asset needs to be transferred for own use, it is transferred at its carrying amount including the impairment allowance at the transition day.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are managed as newly acquired property and equipment.

2 Summary of significant accounting policies *(continued)*

2.15 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

The accounting policies of impairment of investment property are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
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2 Summary of significant accounting policies *(continued)*

2.16 Leases

Lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration.

(1) Lessee

The Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. Lease payments include fixed payments, the amounts expected to be payable by the Group if the Group is reasonably certain to exercises a purchase option or a option to terminate the lease.

The right-of-use assets of the Group include buildings, land use rights, office equipment and others. The right-of-use assets of the Group are measured at costs, which include the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

Short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss instead of the right-of-use asset or lease liabilities. Short-term leases are leases with a lease term of 12 months or less. Leases of low value assets are the underlying assets are of low value when new.

(2) Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

The Group recognises lease payments from operating leases as income on a straight-line basis when the Group lease out owned buildings, machineries and equipment as well as motor vehicles.

(b) Finance leases

At the commencement date, the Group recognises finance lease receivables with the finance lease asset derecognized. The finance lease receivables are recorded as long-term receivables in the consolidated statement of financial position.

2 Summary of significant accounting policies *(continued)*

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

2.18 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement.

2.19 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
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2 Summary of significant accounting policies *(continued)*

2.20 Dividend/Interest distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the ordinary equity holders in the annual general meeting of the Bank.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares or interests on perpetual bonds. Preference shares dividend or perpetual bonds interest distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends or interests are approved by the Board of Directors of the Bank.

2.21 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.22 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

2 Summary of significant accounting policies *(continued)*

2.23 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable. The Group's contingent liabilities are disclosed in Note 6 Contingent liabilities and commitments.

A provision is recognized when it meets the criteria as set forth in Note 2.21 Provisions.

2.25 Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

a has control or joint control over the Group;

b has significant influence over the Group; or

c is a member of the key management personnel of the Group.

2 Summary of significant accounting policies *(continued)*

2.25 Related parties *(continued)*

(2) An entity is related to the Group if any of the following conditions applies:

a The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

b One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

c Both entities are joint ventures of the same third party;

d One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

e The entity is controlled or jointly controlled by a person identified in (1);

f A person identified in (1)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.26 Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

The reports on an operating segment are consistent with those internal reports submitted to the chief operating decision maker.

3 Significant accounting estimates and judgements

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgments and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

3.1 Classification of financial assets

The critical judgments the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 Significant accounting estimates and judgements *(continued)*

3.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the possibility of default of customers and expected losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 10.2 Credit risk.

3.3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.4 Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

3.5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

3 Significant accounting estimates and judgements *(continued)*

3.6 Derecognition of financial assets

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending etc. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties.

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgment is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group's assessment on the extent that risks and rewards are transferred.

- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements

4.1 Net interest income

	Year ended 31 December	
	2022	2021
Interest income arising from:		
Loans and advances to customers	**186,386**	197,251
Including: Corporate loans and advances	**87,091**	94,100
Personal loans and advances	**93,061**	95,864
Discounted bills	**6,234**	7,287
Financial investments	**56,447**	58,529
Including: Financial assets measured at amortised cost	**43,673**	44,503
Financial assets at fair value through other comprehensive income	**12,774**	14,026
Long-term receivables	**6,799**	7,902
Placements with banks and other financial institutions	**5,742**	6,868
Balances with central bank	**5,034**	5,150
Financial assets held under resale agreements	**1,970**	1,616
Balances with banks and other financial institutions	**559**	363
Subtotal	**262,937**	277,679
Interest expense arising from:		
Deposits from customers	**(93,254)**	(83,457)
Deposits and placements from banks and other financial institutions	**(30,208)**	(30,881)
Debt securities issued	**(20,118)**	(23,352)
Borrowings from central bank	**(6,651)**	(8,796)
Borrowings from banks and other financial institutions and others	**(3,391)**	(3,641)
Financial assets sold under repurchase agreements	**(1,466)**	(1,361)
Lease liabilities	**(386)**	(416)
Subtotal	**(155,474)**	(151,904)
Net interest income	**107,463**	125,775
Of which:		
Interest income from impaired loans and advances to customers	**1,091**	1,174

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.2 Net fee and commission income

	Year ended 31 December	
	2022	2021
Fee and commission income from		
Bank card services	**10,909**	11,473
Custodian and other fiduciary services	**5,960**	10,476
Agency services	**5,469**	6,422
Settlement services	**1,619**	2,001
Credit commitments	**1,207**	1,773
Others	**306**	990
Subtotal	**25,470**	33,135
Fee and commission expense	**(5,196)**	(5,569)
Net fee and commission income	**20,274**	27,566

4.3 Net trading gain

	Year ended 31 December	
	2022	2021
Net gain from interest rate products	**1,193**	2,017
Net gain from foreign exchange and foreign exchange products	**2,228**	461
Others	**1,269**	632
Total	**4,690**	3,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
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4 Notes to the consolidated financial statements *(continued)*

4.4 Net gain from investment securities

	Year ended 31 December	
	2022	2021
Financial assets at fair value through profit or loss	**(191)**	5,409
Financial assets at fair value through other comprehensive income	**2,346**	1,193
Financial assets measured at amortised cost	**2,202**	744
Total	**4,357**	7,346

4.5 Net other operating income

	Year ended 31 December	
	2022	2021
Operating leases income	**4,436**	3,969
Operating leases costs	**(2,505)**	(2,302)
Others	**504**	90
Total	**2,435**	1,757

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.6 Operating expenses

	Year ended 31 December	
	2022	2021
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	**29,004**	28,612
– Post-employment benefits-defined contribution plan	**2,451**	2,403
Depreciation and amortisation	**5,896**	5,665
Short-term lease expenses, low-value lease expenses and property management expenses	**912**	843
Tax and surcharges	**1,873**	1,949
Office expenses, business expenses and others	**12,466**	11,709
Total	**52,602**	51,181

4.7 Credit impairment losses

	Year ended 31 December	
	2022	2021
Loans and advances to customers	**41,695**	58,660
Financial assets measured at amortised cost	**4,038**	14,115
Financial assets at fair value through other comprehensive income	**370**	577
Long-term receivables	**1,900**	2,845
Other receivables	**472**	571
Others	**287**	630
Total	**48,762**	77,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.8 Directors and supervisors' emoluments

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

For the year ended 31 December 2022 (in thousands of RMB)

	Year ended 31 December 2022			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin(i)(ii)	3,781	110	–	3,891
Zhang Hongwei	980	–	–	980
Lu Zhiqiang	980	–	–	980
Liu Yonghao	980	–	–	980
Zheng Wanchun(i)(ii)	3,355	110	–	3,465
Shi Yuzhu	860	–	–	860
Wu Di	940	–	–	940
Song Chunfeng(iii)	–	–	–	–
Weng Zhenjie	920	–	–	920
Yang Xiaoling	760	–	–	760
Zhao Peng	895	–	–	895
Liu Jipeng	1,005	–	–	1,005
Li Hancheng	1,105	–	–	1,105
Xie Zhichun	1,015	–	–	1,015
Peng Xuefeng	965	–	–	965
Liu Ningyu	1,240	–	–	1,240
Qu Xinjiu	965	–	–	965
Yuan Guijun(i)(ii)	3,090	110	–	3,200
Zhang Juntong(i)(ii)	3,088	110	–	3,198
Yang Yu(i)(ii)	2,441	110	–	2,551
Lu Zhongnan	765	–	–	765
Li Yu	765	–	–	765
Wang Yugui	760	–	–	760
Zhao Fugao(iii)	–	–	–	–
Zhang Liqing	710	–	–	710
Gong Zhijian	2,427	110	–	2,537
Zhao Linghuan(iv)	498	–	–	498

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

4.8 Directors and supervisors' emoluments *(continued)*

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)

(i) The Bank defers part of the performance remuneration of the Executive Directors, the Chairman of the Supervisory Board and the Vice-chairman of the Supervisory Board, which is not included in the above disclosure. Refer to Note 9 for deferred payment matters.

(ii) The emoluments before tax of the Executive Directors, the Chairman and Vice Chairman of the Supervisory Board are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have significant impacts on the Group's 2022 financial statements.

(iii) During the Reporting Period, Mr. Song Chunfeng has not received the remuneration as a Director, and Mr. Zhao Fugao has not received the remuneration as a Supervisor.

(iv) On 1 September 2022, Mr. Zhao Linghuan ceased to act as a Supervisor and a member of related special committee under the Board of Supervisors of the Bank due to his personal time and attention allocation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.8 Directors and supervisors' emoluments *(continued)*

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)

For the year ended 31 December 2021 (in thousands of RMB)

	Year ended 31 December 2021			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin[(i)(ii)]	3,918	107	2,306	6,331
Zhang Hongwei	935	–	–	935
Lu Zhiqiang	935	–	–	935
Liu Yonghao	935	–	–	935
Zheng Wanchun[(i)(ii)]	3,483	107	2,092	5,682
Shi Yuzhu	815	–	–	815
Wu Di	905	–	–	905
Song Chunfeng[(iii)]	–	–	–	–
Weng Zhenjie	875	–	–	875
Yang Xiaoling[(iv)]	745	–	–	745
Zhao Peng[(iv)]	850	–	–	850
Liu Jipeng	950	–	–	950
Li Hancheng	1,055	–	–	1,055
Xie Zhichun	990	–	–	990
Peng Xuefeng	890	–	–	890
Liu Ningyu	1,108	–	–	1,108
Qu Xinjiu[(iv)]	920	–	–	920
Yuan Guijun[(i)(ii)(iv)]	3,178	107	1,665	4,950
Zhang Juntong[(i)(ii)]	3,191	107	1,428	4,726
Yang Yu[(i)(ii)(iv)]	205	10	92	307
Lu Zhongnan	760	–	–	760
Zhao Linghuan	685	–	–	685
Li Yu	770	–	–	770
Wang Yugui	760	–	–	760
Zhao Fugao[(iii)]	75	–	–	75
Zhang Liqing	710	–	–	710
Gong Zhijian[(iv)]	296	10	123	429
Guo Dong[(v)]	2,947	99	846	3,892
Li Jian[(v)]	3,015	90	567	3,672

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

4.8 Directors and supervisors' emoluments *(continued)*

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)

(i) The Bank defers part of the performance remuneration of the Executive Directors, the Chairman of the Supervisory Board and the Vice-chairman of the Supervisory Board, which is not included in the above disclosure. Refer to Note 9 for deferred payment matters.

(ii) The total pre-tax remuneration of the executive director, chairman of the Board of Supervisors and vice-chairman of the Board of Supervisors on full salary of the Bank has been approved by the Compensation and Appraisal Committee of the Board of Directors. The bank has made a supplementary disclosure in the Supplementary Announcement of China Minsheng Banking Corporation Limited in 2021. The relevant compensation amounts have been restated.

(iii) Since April 2020, Mr. Song Chunfeng has not received remuneration as a Director.

Since February 2021, Mr. Zhao Fugao has not received remuneration as a Supervisor.

(iv) Mr. Yang Xiaoling's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

Mr. Zhao Peng's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in June 2021.

Mr. Qu Xinjiu's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

In January 2021, Mr. Yuan Guijun was newly elected as the executive director of the Bank, and his qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

In November 2021, Mr. Yang Yu, Mr. Gong Zhijian were newly elected as the supervisors of the Bank.

(v) In November 2021, Mr. Guo Dong and Mr. Li Jian retired the supervisors of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.8 Directors and supervisors' emoluments *(continued)*

(2) None of the five individuals with the highest emoluments for the year ended 31 December 2022 were directors or supervisors of the Bank (2021: None of the five individuals with the highest emoluments were directors or supervisors of the Bank). The aggregate of the emoluments in respect of the five individuals during the year was as follows(in thousands of RMB):

	Year ended 31 December	
	2022	2021
Basic salaries, allowances and benefits	**2,617**	3,199
Contributions to pension schemes	**309**	347
Discretionary bonus	**40,303**	50,428
Total	**43,229**	53,974

The number of the five highest paid individuals whose emoluments fell within the following bands is set out below:

	Year ended 31 December	
	2022	2021
From RMB6,000,001 to RMB10,000,000	**4**	2
From RMB10,000,001 to RMB14,000,000	**1**	3

The Group had not paid any emoluments to the directors or supervisors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.9 Income tax expense

	Year ended 31 December	
	2022	2021
Current income tax for the year	**4,963**	3,204
Deferred income tax (Note 4.21)	**(3,570)**	(2,457)
Total	**1,393**	747

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

	Year ended 31 December	
	2022	2021
Profit before income tax	**37,170**	35,600
Income tax at the tax rate of 25%	**9,293**	8,900
Effect of non-taxable income (a)	**(9,445)**	(9,252)
Effect of non-deductible expenses (b)	**2,609**	1,679
Effect of interest expense on perpetual debt	**(808)**	(485)
Settlement variance and others	**(256)**	(95)
Income tax expense	**1,393**	747

(a) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, as well as dividends arising from fund investments, which are exempted from income tax.

(b) It mainly includes tax effects of losses written-off that are not deductible before tax, as well as business entertainment expenses and deposit insurance premiums in excess of their respective pre-tax deductible limits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue.

The Bank issued non-cumulative preference shares in 2016. The Bank issued non-cumulative preference shares and perpetual bonds in 2019 and 2021 respectively under the terms and conditions as detailed in Note 4.33 Preference Shares and Note 4.34 Perpetual Bonds.

The conversion feature of the preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2022 and 31 December 2021, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Year ended 31 December	
	2022	2021
Profit for the year attributable to equity holders of the Bank	**35,269**	34,381
Less: profit for the year attributable to other equity instrument holders of the Bank	**(4,106)**	(3,328)
Net profit attributable to ordinary equity holders of the Bank	**31,163**	31,053
Weighted average number of ordinary shares in issue (in millions)	**43,782**	43,782
Basic/Diluted earnings per share (in RMB)	**0.71**	0.71

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.11 Cash and balances with central bank

	31 December 2022	31 December 2021
Cash	6,983	5,292
Balances with central bank		
Mandatory reserve deposits	311,294	313,375
Surplus reserve deposits	19,301	41,093
Fiscal deposits and others	837	1,409
Subtotal	331,432	355,877
Interest accrued	137	133
Total	338,552	361,302

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

As at 31 December 2022 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 7.5% (31 December 2021: 8.0%) and the reserve rate for foreign currency deposits is 6.0% (31 December 2021: 9.0%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.12 Balances with banks and other financial institutions

	31 December 2022	31 December 2021
China mainland		
– Banks	**67,859**	40,181
– Other financial institutions	**4,936**	4,950
Subtotal	**72,795**	45,131
Overseas		
– Banks	**14,324**	46,808
– Other financial institutions	**1,508**	552
Subtotal	**15,832**	47,360
Interest accrued	**86**	63
Less: allowance for impairment losses	**(8)**	(8)
Total	**88,705**	92,546

For the years ended 31 December 2022 and 2021, the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages were insignificant.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.13 Placements with banks and other financial institutions

	31 December 2022	31 December 2021
China mainland		
– Banks	8,489	7,885
– Other financial institutions	162,399	138,194
Subtotal	170,888	146,079
Overseas		
– Banks	9,247	10,626
– Other financial institutions	3,806	3,412
Subtotal	13,053	14,038
Interest accrued	355	240
Less: allowance for impairment losses	(1,862)	(1,589)
Total	182,434	158,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

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

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

	Year ended 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2022	**(411)**	**–**	**(1,178)**	**(1,589)**
Net charge	**(172)**	**–**	**(99)**	**(271)**
Others	**(2)**	**–**	**–**	**(2)**
Balance as at 31 December 2022	**(585)**	**–**	**(1,277)**	**(1,862)**

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(233)	–	(739)	(972)
Transfer:				
to stage 3	5	–	(5)	–
Net charge	(183)	–	(434)	(617)
Balance as at 31 December 2021	(411)	–	(1,178)	(1,589)

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.14 Derivatives

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

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

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

	31 December 2022		
	Notional amount	Fair value Assets	Fair value Liabilities
Foreign exchange derivatives	**2,311,820**	**29,129**	**(26,883)**
Interest rate derivatives	**1,428,101**	**2,889**	**(589)**
Precious metal derivatives	**70,434**	**1,836**	**(5,186)**
Others	**1,456**	**24**	**(17)**
Total		**33,878**	**(32,675)**

	31 December 2021		
	Notional amount	Fair value Assets	Fair value Liabilities
Foreign exchange derivatives	2,611,330	24,790	(21,468)
Interest rate derivatives	1,422,507	1,047	(903)
Precious metal derivatives	59,693	1,521	(3,641)
Others	6,467	103	(102)
Total		27,461	(26,114)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.14 Derivatives *(continued)*

(2) Hedges

		31 December 2022		
		Notional amount	Fair value Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	**6,498**	**150**	**–**
Fair value hedges				
– Interest Rate swap contracts	(b)	**28,353**	**1,603**	**(1)**
Total			**1,753**	**(1)**

		31 December 2021		
		Notional amount	Fair value Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	4,272	96	–
Fair value hedges				
– Interest Rate swap contracts	(b)	13,235	98	(26)
Total			194	(26)

(a) The Group uses foreign exchange swaps to hedge against cash flow fluctuations arising from its exposures to foreign exchange risks. The hedged items include foreign bond investments of the Group, loans and advances denominated in foreign currencies, and foreign currency lending to other banks and financial institutions. For the years ended 31 December 2022 and 2021, the accumulative profit or loss recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments was not significant.

(b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the years ended 31 December 2022 and 2021, the fair value changes of hedging instruments and the net gains or losses arising from the hedged risk relating to the hedged items, which were the ineffective part of fair value hedging recognised in fair value changes, were not significant.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.14 Derivatives *(continued)*

(3) Credit risk weighted amount

	31 December 2022	31 December 2021
Credit risk weighted amount for counterparty	**20,968**	20,712

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

4.15 Financial assets held under resale agreements

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

	31 December 2022	31 December 2021
Bonds	**2,549**	823
Others	**464**	541
Subtotal	**3,013**	1,364
Interest accrued	**25**	18
Less: allowance for impairment losses	**(28)**	(20)
Total	**3,010**	1,362

For the years ended 31 December 2022 and 2021, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Loans and advances to customers

		31 December 2022	31 December 2021
Measured at amortised cost:			
Corporate loans and advances			
– Corporate loans		**2,144,501**	2,017,910
Personal loans and advances			
– Micro lending	(1)	**621,598**	577,327
– Residential mortgage		**573,274**	595,468
– Credit cards		**462,788**	472,077
– Others		**84,208**	96,459
Gross balance		**1,741,868**	1,741,331
Less: allowance for impairment losses		**(97,639)**	(103,806)
Subtotal		**3,788,730**	3,655,435
Measured at fair value through other comprehensive income:			
Corporate loans and advances			
– Corporate loans		**8,717**	5,577
– Discounted bills		**246,058**	280,874
Subtotal		**254,775**	286,451
Interest accrued		**29,477**	25,793
Total		**4,072,982**	3,967,679

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

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(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Loans and advances to customers *(continued)*

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

	31 December 2022		31 December 2021	
	Amount	(%)	Amount	(%)
Unsecured loans	**1,130,796**	**27.31**	1,010,309	24.97
Guaranteed loans	**671,437**	**16.21**	670,747	16.58
Loans secured by				
– Tangible assets other than monetary assets	**1,750,267**	**42.27**	1,739,357	42.99
– Monetary assets	**588,644**	**14.21**	625,279	15.46
Total	**4,141,144**	**100.00**	4,045,692	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Loans and advances to customers *(continued)*

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

	31 December 2022				
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured loans	**14,037**	**9,305**	**4,493**	**1,111**	**28,946**
Guaranteed loans	**2,012**	**4,917**	**4,722**	**893**	**12,544**
Loans secured by					
– Tangible assets other than monetary assets	**6,167**	**11,233**	**15,827**	**1,637**	**34,864**
– Monetary assets	**292**	**3,025**	**2,027**	**663**	**6,007**
Total	**22,508**	**28,480**	**27,069**	**4,304**	**82,361**
% of total loans and advances to customers	**0.54**	**0.69**	**0.66**	**0.10**	**1.99**

	31 December 2021				
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured loans	9,618	12,522	3,873	1,011	27,024
Guaranteed loans	7,152	5,923	2,240	1,145	16,460
Loans secured by					
– Tangible assets other than monetary assets	13,454	14,093	9,389	2,096	39,032
– Monetary assets	171	2,441	2,293	304	5,209
Total	30,395	34,979	17,795	4,556	87,725
% of total loans and advances to customers	0.75	0.87	0.44	0.11	2.17

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

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Loans and advances to customers *(continued)*

(3) Movements in allowance for impairment losses

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

	Year ended 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2022	**(20,197)**	**(37,076)**	**(46,533)**	**(103,806)**
Transfer:				
to stage 1	**(3,802)**	**3,303**	**499**	**–**
to stage 2	**998**	**(1,310)**	**312**	**–**
to stage 3	**722**	**10,456**	**(11,178)**	**–**
Net charge	**(1,016)**	**(8,858)**	**(31,812)**	**(41,686)**
Write-offs and transfer out	**–**	**–**	**53,757**	**53,757**
Recoveries of amounts previously written off	**–**	**–**	**(7,141)**	**(7,141)**
Others	**(84)**	**(117)**	**1,438**	**1,237**
Balance as at 31 December 2022	**(23,379)**	**(33,602)**	**(40,658)**	**(97,639)**

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(23,048)	(29,725)	(43,769)	(96,542)
Transfer:				
to stage 1	(1,084)	749	335	–
to stage 2	2,292	(4,346)	2,054	–
to stage 3	612	7,234	(7,846)	–
Net reversal/(charge)	1,038	(10,975)	(48,000)	(57,937)
Write-offs and transfer out	–	–	54,324	54,324
Recoveries of amounts previously written off	–	–	(5,204)	(5,204)
Others	(7)	(13)	1,573	1,553
Balance as at 31 December 2021	(20,197)	(37,076)	(46,533)	(103,806)

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For the year ended 31 December 2022
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4 Notes to the consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

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

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

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(286)	(104)	(912)	(1,302)
Net (charge)/reversal	(75)	94	(28)	(9)
Write-offs	–	–	162	162
Recoveries of amounts previously written off	–	–	(80)	(80)
Balance as at 31 December 2022	(361)	(10)	(858)	(1,229)

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(496)	–	(599)	(1,095)
Transfer:				
to stage 3	1	–	(1)	–
Net reversal/(charge)	209	(104)	(828)	(723)
Transfer out	–	–	516	516
Balance as at 31 December 2021	(286)	(104)	(912)	(1,302)

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.17 Financial investments

		31 December 2022	31 December 2021
Financial assets at fair value through profit or loss	(1)	**389,070**	300,684
Financial assets at fair value through other comprehensive income	(2)	**473,211**	435,529
Financial assets measured at amortised cost	(3)	**1,363,589**	1,298,220
Total		**2,225,870**	2,034,433

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

		31 December 2022	31 December 2021
Held for trading purpose			
Debt securities			
Government		**1,843**	4,512
Policy banks		**3,253**	12,686
Banks and non-bank financial institutions		**16,225**	15,353
Corporates		**78,685**	32,268
Subtotal		**100,006**	64,819
Equity investments		**1,695**	2,012
Investment funds	(a)	**8,835**	13,694
Subtotal		**110,536**	80,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
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4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

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

		31 December 2022	31 December 2021
Other financial assets at fair value through profit or loss			
Debt securities			
Corporates		**3,062**	964
Banks and non-bank financial institutions		**9,573**	2,660
Equity investments		**19,732**	25,267
Investment funds	(a)	**226,617**	177,317
Trust and asset management plans	(b)	**14,185**	12,860
Others		**5,365**	1,091
Subtotal		**278,534**	220,159
Total		**389,070**	300,684
Listed		**103,000**	65,297
– Of which: listed in Hong Kong		**7,787**	8,237
Unlisted		**286,070**	235,387
Total		**389,070**	300,684

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

(a) As at 31 December 2022 and 31 December 2021, the underlying investment funds primarily include public bond funds and public money market funds.

(b) As at 31 December 2022 and 31 December 2021, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (9)).

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.17 Financial investments *(continued)*

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

	31 December 2022	31 December 2021
Debt securities		
Government	**142,060**	112,163
Policy banks	**27,957**	55,571
Banks and non-bank financial institutions	**163,628**	126,751
Corporates	**123,856**	127,390
Subtotal	**457,501**	421,875
Equity investments	**10,592**	8,325
Interest accrued	**5,118**	5,329
Total	**473,211**	435,529
Listed	**438,614**	396,269
– Of which: listed in Hong Kong	**49,013**	41,619
Unlisted	**29,479**	33,931
Interest accrued	**5,118**	5,329
Total	**473,211**	435,529

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the year ended 31 December 2022, dividend income of RMB64 million (for the year ended 31 December 2021: RMB28 million) recognised for such equity investments was included in the profit or loss. The amount transferred from other comprehensive income to retained earnings on disposal of such equity instruments was insignificant for the year ended 31 December 2022 (for the year ended 31 December 2021: insignificant).

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

4.17 Financial investments *(continued)*

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

Fair value

	31 December 2022	31 December 2021
Debt securities		
Cost	469,061	430,426
Cumulative amount of change in fair value that is accrued to other comprehensive income	(6,442)	(3,222)
Fair value	462,619	427,204
Equity investment		
Cost	8,270	8,327
Cumulative amount of change in fair value that is accrued to other comprehensive income	2,322	(2)
Fair value	10,592	8,325
Total	473,211	435,529

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.17 Financial investments *(continued)*

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

Movements in allowance for impairment losses

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(656)	(84)	(1,833)	(2,573)
Transfer:				
to stage 2	1	(1)	–	–
to stage 3	2	78	(80)	–
Net charge	(57)	(7)	(306)	(370)
Write-offs and transfer out	–	–	1,161	1,161
Others	(39)	–	–	(39)
Balance as at 31 December 2022	(749)	(14)	(1,058)	(1,821)

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(1,292)	(11)	(826)	(2,129)
Transfer:				
to stage 2	5	(5)	–	–
to stage 3	1	–	(1)	–
Net reversal/(charge)	620	(68)	(1,129)	(577)
Write-offs and transfer out	–	–	72	72
Others	10	–	51	61
Balance as at 31 December 2021	(656)	(84)	(1,833)	(2,573)

As at 31 December 2022, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB1,139 million (31 December 2021: RMB635 million), with allowance for impairment losses of RMB1,058 million (31 December 2021: RMB1,833 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
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4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

(3) Financial assets measured at amortised cost

		31 December 2022	31 December 2021
Debt securities			
Government		**987,915**	886,728
Policy banks		**74,922**	44,839
Banking and non-banking financial institutions		**30,472**	43,006
Corporates		**199,825**	219,172
Subtotal		**1,293,134**	1,193,745
Trust and asset management plans	(a)	**49,789**	87,596
Debt financing plans		**11,398**	12,817
Others		**2,708**	2,446
Interest accrued		**17,852**	16,242
Less: allowance for impairment losses		**(11,292)**	(14,626)
Total		**1,363,589**	1,298,220
Listed		**1,284,826**	1,191,474
– Of which: listed in Hong Kong		**6,384**	1,935
Unlisted		**72,203**	105,130
Interest accrued		**17,852**	16,242
Less: allowance for impairment losses		**(11,292)**	(14,626)
Total		**1,363,589**	1,298,220

(a) As at 31 December 2022 and 31 December 2021, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2 (9)).

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.17 Financial investments *(continued)*

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

Movements in allowance for impairment losses

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	(1,809)	(496)	(12,321)	(14,626)
Transfer				
to stage 2	58	(58)	–	–
to stage 3	6	67	(73)	–
Net reversal/(charge)	343	(438)	(3,943)	(4,038)
Write-offs and transfer out	–	–	8,201	8,201
Recovered after write-off	–	–	(700)	(700)
Others	(98)	–	(31)	(129)
Balance as at 31 December 2022	(1,500)	(925)	(8,867)	(11,292)

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(2,618)	(37)	(7,420)	(10,075)
Transfer				
to stage 2	112	(112)	–	–
to stage 3	12	34	(46)	–
Net reversal/(charge)	694	(381)	(14,428)	(14,115)
Write-offs and transfer out	–	–	9,573	9,573
Others	(9)	–	–	(9)
Balance as at 31 December 2021	(1,809)	(496)	(12,321)	(14,626)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Long-term receivables

		31 December 2022	31 December 2021
Finance lease receivables	(1)	**130,025**	142,383
Less: unearned finance lease income		**(15,088)**	(15,504)
Present value of minimum finance lease receivables		**114,937**	126,879
Less: allowance for impairment losses	(2)	**(3,481)**	(4,163)
Total		**111,456**	122,716

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

		31 December 2022	31 December 2021
Indefinite	(a)	**8,889**	8,297
Less than 1 year		**52,666**	64,259
1 year to 2 years		**35,586**	31,031
2 years to 3 years		**17,127**	17,506
3 years to 5 years		**9,089**	13,008
More than 5 years		**6,668**	8,282
Total		**130,025**	142,383

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

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Long-term receivables *(continued)*

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

	Year ended 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2022	**(1,503)**	**(1,250)**	**(1,410)**	**(4,163)**
Transfer:				
to stage 1	**(57)**	**35**	**22**	**–**
to stage 2	**128**	**(182)**	**54**	**–**
to stage 3	**66**	**325**	**(391)**	**–**
Net reversal/(charge)	**722**	**210**	**(2,832)**	**(1,900)**
Write-offs and transfer out	**–**	**–**	**2,652**	**2,652**
Others	**2**	**–**	**(72)**	**(70)**
Balance as at 31 December 2022	**(642)**	**(862)**	**(1,977)**	**(3,481)**

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(1,177)	(1,826)	(1,266)	(4,269)
Transfer:				
to stage 1	(108)	51	57	–
to stage 2	100	(100)	–	–
to stage 3	31	851	(882)	–
Net charge	(385)	(294)	(2,166)	(2,845)
Write-offs and transfer out	–	–	2,835	2,835
Others	36	68	12	116
Balance as at 31 December 2021	(1,503)	(1,250)	(1,410)	(4,163)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.19 Property and equipment

	31 December 2022	31 December 2021
Property and equipment	58,889	56,781
Property and equipment to be disposed	7	5
Total	58,896	56,786

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.19 Property and equipment *(continued)*

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2022	22,249	4,135	8,705	470	38,315	7,523	81,397
Increase	238	519	1,020	22	3,418	1,193	6,410
CIP transfers	3	–	–	–	–	(3)	–
Decrease and other movement	(21)	(647)	(424)	(25)	755	(792)	(1,154)
Balance as at 31 December 2022	22,469	4,007	9,301	467	42,488	7,921	86,653
Accumulated depreciation							
Balance as at 1 January 2022	(5,729)	(2,860)	(6,860)	(392)	(8,272)	–	(24,113)
Increase	(729)	(520)	(567)	(22)	(1,909)	–	(3,747)
Decrease and other movement	2	605	400	24	(271)	–	760
Balance as at 31 December 2022	(6,456)	(2,775)	(7,027)	(390)	(10,452)	–	(27,100)
Impairment losses							
Balance as at 1 January 2022	–	–	–	–	(503)	–	(503)
Increase	–	–	–	–	(44)	(70)	(114)
Decrease and other movement	–	–	–	–	(47)	–	(47)
Balance as at 31 December 2022	–	–	–	–	(594)	(70)	(664)
Carrying amount							
Balance as at 1 January 2022	16,520	1,275	1,845	78	29,540	7,523	56,781
Balance as at 31 December 2022	16,013	1,232	2,274	77	31,442	7,851	58,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.19 Property and equipment *(continued)*

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2021	21,114	4,285	8,634	491	36,175	6,191	76,890
Increase	1,177	435	659	22	4,619	1,333	8,245
CIP transfers	1	–	–	–	–	(1)	–
Decrease and other movement	(43)	(585)	(588)	(43)	(2,479)	–	(3,738)
Balance as at 31 December 2021	22,249	4,135	8,705	470	38,315	7,523	81,397
Accumulated depreciation							
Balance as at 1 January 2021	(5,059)	(2,913)	(6,917)	(408)	(6,955)	–	(22,252)
Increase	(677)	(536)	(500)	(25)	(1,742)	–	(3,480)
Decrease and other movement	7	589	557	41	425	–	1,619
Balance as at 31 December 2021	(5,729)	(2,860)	(6,860)	(392)	(8,272)	–	(24,113)
Impairment losses							
Balance as at 1 January 2021	–	–	–	–	(270)	–	(270)
Increase	–	–	–	–	(236)	–	(236)
Decrease and other movement	–	–	–	–	3	–	3
Balance as at 31 December 2021	–	–	–	–	(503)	–	(503)
Carrying amount							
Balance as at 1 January 2021	16,055	1,372	1,717	83	28,950	6,191	54,368
Balance as at 31 December 2021	16,520	1,275	1,845	78	29,540	7,523	56,781

As at 31 December 2022 and 31 December 2021, the Group did not have any property and equipment which were acquired by means of finance lease or held for sale.

As at 31 December 2022, there were still certain properties and buildings, with a carrying value of RMB458 million (31 December 2021: RMB487 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.20 Lease contract

(1) Right-of-use assets

	Buildings	Motor vehicles	Office equipment and others	Land use rights	Total
Original cost					
Balance as at 1 January 2022	17,677	–	64	4,646	22,387
Increase	2,944	–	16	–	2,960
Decrease	(1,975)	–	(9)	–	(1,984)
Balance as at 31 December 2022	18,646	–	71	4,646	23,363
Accumulated depreciation/ amortization					
Balance as at 1 January 2022	(6,981)	–	(24)	(1,277)	(8,282)
Increase	(3,067)	–	(8)	(116)	(3,191)
Decrease	1,249	–	7	–	1,256
Balance as at 31 December 2022	(8,799)	–	(25)	(1,393)	(10,217)
Carrying amount					
Balance as at 1 January 2022	10,696	–	40	3,369	14,105
Balance as at 31 December 2022	9,847	–	46	3,253	13,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.20 Lease contract *(continued)*

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

	Buildings	Motor vehicles	Office equipment and others	Land use rights	Total
Original cost					
Balance as at 1 January 2021	15,984	359	64	4,643	21,050
Increase	3,531	–	6	3	3,540
Decrease	(1,838)	(359)	(6)	–	(2,203)
Balance as at 31 December 2021	17,677	–	64	4,646	22,387
Accumulated depreciation/ amortization					
Balance as at 1 January 2021	(5,441)	(97)	(20)	(1,161)	(6,719)
Increase	(3,053)	(136)	(7)	(116)	(3,312)
Decrease	1,513	233	3	–	1,749
Balance as at 31 December 2021	(6,981)	–	(24)	(1,277)	(8,282)
Carrying amount					
Balance as at 1 January 2021	10,543	262	44	3,482	14,331
Balance as at 31 December 2021	10,696	–	40	3,369	14,105

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.20 Lease contract *(continued)*

(2) Lease liabilities

	31 December 2022	31 December 2021
Lease liabilities	**9,426**	10,225

As at 31 December 2022, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB71 million (31 December 2021: RMB53 million).

4.21 Deferred income tax assets and liabilities

(1) Deferred income tax items

	31 December 2022	31 December 2021
Deferred income tax assets	**55,701**	51,904
Deferred income tax liabilities	**(236)**	(247)
Total	**55,465**	51,657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

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

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

	31 December 2022		31 December 2021	
	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	**51,775**	**207,280**	49,521	198,088
Employee benefits payable	**3,502**	**14,009**	3,136	12,544
Fair value losses of derivatives	**8,168**	**32,674**	6,500	26,000
Fair value losses of financial assets at fair value through other comprehensive loss	**802**	**3,209**	106	424
Financial assets at fair value through profit or loss	**2,099**	**8,394**	484	1,936
Others	**364**	**1,482**	399	1,618
Subtotal	**66,710**	**267,048**	60,146	240,610
Deferred income tax liabilities				
Fair value gains of derivatives	**(7,989)**	**(31,958)**	(6,817)	(27,267)
Fair value gain of financial assets at fair value through other comprehensive income	**(779)**	**(3,117)**	(322)	(1,288)
Financial assets at fair value through profit or income	**(2,156)**	**(8,866)**	(1,054)	(4,215)
Others	**(321)**	**(1,287)**	(296)	(1,186)
Subtotal	**(11,245)**	**(45,228)**	(8,489)	(33,956)
Deferred income tax assets, net	**55,465**	**221,820**	51,657	206,654

(Expressed in millions of Renminbi, unless otherwise stated)

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

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

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

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
Balance as at 1 January 2022	**49,521**	**7,090**	**3,535**	**60,146**	**(8,489)**
Recognised in profit or loss	**2,254**	**3,283**	**331**	**5,868**	**(2,298)**
Recognised in other comprehensive income	**–**	**696**	**–**	**696**	**(458)**
Balance as at 31 December 2022	**51,775**	**11,069**	**3,866**	**66,710**	**(11,245)**
Balance as at 1 January 2021	47,682	11,467	2,967	62,116	(12,200)
Recognised in profit or loss	1,839	(3,802)	568	(1,395)	3,852
Recognised in other comprehensive income	–	(575)	–	(575)	(141)
Balance as at 31 December 2021	49,521	7,090	3,535	60,146	(8,489)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
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4 Notes to the consolidated financial statements *(continued)*

4.22 Investment in subsidiaries

(1) Directly held subsidiaries

	31 December 2022	31 December 2021
Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing")	3,302	3,302
CMBC International Holdings Limited ("CMBC International")	3,494	3,494
Minsheng Royal Fund Limited ("Minsheng Royal Fund")	190	190
CMBC Wealth Management Co., Ltd. ("CMBC Wealth Management")	5,000	–
Pengzhou Rural Bank Co., Ltd. ("Pengzhou Rural Bank")	20	20
Cixi Rural Bank Co., Ltd. ("Cixi Rural Bank")	107	107
Songjiang Rural Bank Co., Ltd. ("Songjiang Rural Bank")	70	70
Qijiang Rural Bank Co., Ltd. ("Qijiang Rural Bank")	30	30
Tongnan Rural Bank Co., Ltd. ("Tongnan Rural Bank")	25	25
Meihekou Rural Bank Co., Ltd. ("Meihekou Rural Bank")	169	169
Ziyang Rural Bank Co., Ltd. ("Ziyang Rural Bank")	172	172
Jiangxia Rural Bank Co., Ltd. ("Jiangxia Rural Bank")	41	41
Changyuan Rural Bank Co., Ltd. ("Changyuan Rural Bank")	26	26
Yidu Rural Bank Co., Ltd. ("Yidu Rural Bank")	26	26
Jiading Rural Bank Co., Ltd. ("Jiading Rural Bank")	102	102
Zhongxiang Rural Bank Co., Ltd. ("Zhongxiang Rural Bank")	36	36
Penglai Rural Bank Co., Ltd. ("Penglai Rural Bank")	51	51
Anxi Rural Bank Co., Ltd. ("Anxi Rural Bank")	74	74

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(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Investment in subsidiaries *(continued)*

(1) Directly held subsidiaries *(continued)*

	31 December 2022	31 December 2021
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	52	52
Taicang Rural Bank Co., Ltd. ("Taicang Rural Bank")	76	76
Ningjin Rural Bank Co., Ltd. ("Ningjin Rural Bank")	20	20
Zhangpu Rural Bank Co., Ltd. ("Zhangpu Rural Bank")	25	25
Puer Rural Bank Co., Ltd. ("Puer Rural Bank")	15	15
Jinghong Rural Bank Co., Ltd. ("Jinghong Rural Bank")	60	60
Zhidan Rural Bank Co., Ltd. ("Zhidan Rural Bank")	7	7
Ningguo Rural Bank Co., Ltd. ("Ningguo Rural Bank")	20	20
Yuyang Rural Bank Co., Ltd. ("Yuyang Rural Bank")	25	25
Guichi Rural Bank Co., Ltd. ("Guichi Rural Bank")	26	26
Tiantai Rural Bank Co., Ltd. ("Tiantai Rural Bank")	31	31
Tianchang Rural Bank Co., Ltd. ("Tianchang Rural Bank")	20	20
Tengchong Rural Bank Co., Ltd. ("Tengchong Rural Bank")	20	20
Xiang'an Rural Bank Co., Ltd. ("Xiang'an Rural Bank")	36	36
Linzhi Rural Bank Co., Ltd. ("Linzhi Rural Bank")	13	13
Total	13,381	8,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries

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

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Investment in subsidiaries *(continued)*

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

Name		Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Jiading Rural Bank		Shanghai China	Commercial bank	RMB200 million	51.00%	51.00%
Zhongxiang Rural Bank		Hubei China	Commercial bank	RMB70 million	51.00%	51.00%
Penglai Rural Bank		Shandong China	Commercial bank	RMB100 million	51.00%	51.00%
Anxi Rural Bank		Fujian China	Commercial bank	RMB128 million	57.99%	57.99%
Funing Rural Bank		Jiangsu China	Commercial bank	RMB85 million	51.00%	51.00%
Taicang Rural Bank		Jiangsu China	Commercial bank	RMB135 million	51.00%	51.00%
Ningjin Rural Bank		Hebei China	Commercial bank	RMB40 million	51.00%	51.00%
Zhangpu Rural Bank		Fujian China	Commercial bank	RMB50 million	51.00%	51.00%
Puer Rural Bank		Yunnan China	Commercial bank	RMB30 million	51.00%	51.00%
Jinghong Rural Bank		Yunnan China	Commercial bank	RMB75 million	80.40%	80.40%
Zhidan Rural Bank		Shaanxi China	Commercial bank	RMB15 million	51.00%	51.00%
Ningguo Rural Bank		Anhui China	Commercial bank	RMB40 million	51.00%	51.00%
Yuyang Rural Bank	(d)	Shaanxi China	Commercial bank	RMB54 million	51.00%	51.00%
Guichi Rural Bank		Anhui China	Commercial bank	RMB50 million	51.00%	51.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4.22 Investment in subsidiaries *(continued)*

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

Name		Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Tiantai Rural Bank		Zhejiang China	Commercial bank	RMB60 million	51.00%	51.00%
Tianchang Rural Bank		Anhui China	Commercial bank	RMB40 million	51.00%	51.00%
Tengchong Rural Bank	(e)	Yunnan China	Commercial bank	RMB52 million	51.00%	51.00%
Xiang'an Rural Bank	(f)	Fujian China	Commercial bank	RMB77 million	51.00%	51.00%
Linzhi Rural Bank		Tibet China	Commercial bank	RMB25 million	51.00%	51.00%

(a) Minsheng Wealth Management Co., Ltd. was established in June 2022 with the registered capital of RMB5 billion. The Bank holds 100% of the interest.

(b) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are regarded as the Bank's subsidiaries and have been consolidated in these financial statements.

(c) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

(d) In 2020, Yuyang Rural Bank converted RMB4 million retained earnings to paid-in capital. After the increase of capital, the Bank's ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2022, the registered capital of Yuyang Rural Bank was RMB54 million as it had completed the registration of changes with industry and commerce authorities.

(e) In 2021, Tengchong Rural Bank converted RMB4 million retained earnings to paid-in capital. After the increase of capital, the Bank's ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2022, the registered capital of Tengchong Rural Bank was RMB52 million as it had completed the registration of changes with industry and commerce authorities.

(f) In 2022, Xiang'an Rural Bank converted RMB7 million retained earnings to paid-in capital. After the increase of capital, the Bank's ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2022, the registered capital of Xiang'an Rural Bank was RMB77 million as it had completed the registration of changes with industry and commerce authorities.

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

4.22 Investment in subsidiaries *(continued)*

(3) Investment in associates

	31 December 2022	31 December 2021
Investment in associates	–	2

4.23 Other assets

		31 December 2022	31 December 2021
Interest receivable	(1)	7,274	7,822
Items in the process of clearance and settlement		6,633	13,384
Foreclosed assets	(2)	5,479	5,471
Prepayments for leased assets	(3)	5,263	5,279
Investment properties		3,006	2,335
Other debt receivables and advances		4,715	4,518
Fee and commission receivable		4,153	3,351
Intangible assets	(4)	2,301	1,917
Prepayment		1,855	1,669
Long-term deferred expenses		1,413	586
Legal costs receivable		1,277	1,245
Continuously involved assets		1,038	1,038
Goodwill	(5)	205	188
Operating lease receivable		168	163
Others		5,687	5,631
Subtotal		50,467	54,597
Less: allowance for impairment losses			
– Repossessed assets		(959)	(731)
– Others		(3,632)	(3,333)
Total		45,876	50,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
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4 Notes to the consolidated financial statements *(continued)*

4.23 Other assets *(continued)*

(1) In accordance with the requirements of the Notice on the Revision and Issuance of the Format of Financial Statements of Financial Enterprises in 2018, the interests of financial instruments at the reporting date are listed in the financial instruments using the effective interest rate method. Interests of relevant financial instruments which were past due but have not been collected at the reporting date are listed in other assets.

(2) Foreclosed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB1,426 million for the year ended 31 December 2022 (Year ended 31 December 2021: RMB1,588 million).

(3) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

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

4.23 Other assets *(continued)*

(4) Intangible assets

	Year ended 31 December 2022	Year ended 31 December 2021
Cost		
Balance as at 1 January	**6,659**	5,576
Increase	**1,131**	1,087
Decrease	**–**	(4)
Balance as at 31 December	**7,790**	6,659
Accumulated amortization		
Balance as at 1 January	**(4,742)**	(4,120)
Increase	**(747)**	(625)
Decrease	**–**	3
Balance as at 31 December	**(5,489)**	(4,742)
Carrying amount		
Balance as at 1 January	**1,917**	1,456
Balance as at 31 December	**2,301**	1,917

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

4.23 Other assets *(continued)*

(5) Goodwill arising from CMBC International

	Year ended 31 December 2022	Year ended 31 December 2021
Balance as at 1 January	188	193
Exchange difference	17	(5)
Balance as at 31 December	205	188

As at 31 December 2022 and 31 December 2021, the Group was not aware of any indicators for the possibility of goodwill impairment, hence no impairment loss was recognised.

4.24 Allowances for impairment losses

		Year ended 31 December 2022				
	Note 4	Balance as at 1 January 2022	Net charge for the year	Write-offs and transfer out	Other	Balance as at 31 December 2022
Balances with banks and other financial institutions	12	8	1	–	(1)	8
Placements with banks and other financial institutions	13	1,589	271	–	2	1,862
Financial assets held under resale agreements	15	20	8	–	–	28
Loans and advances to customers	16	105,108	41,695	(53,919)	5,984	98,868
Financial investments	17	17,199	4,408	(9,362)	868	13,113
Long-term receivables	18	4,163	1,900	(2,652)	70	3,481
Property and equipment	19	503	114	–	47	664
Other assets	23	4,064	1,043	(553)	37	4,591
Total		132,654	49,440	(66,486)	7,007	122,615

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.24 Allowances for impairment losses *(continued)*

		Year ended 31 December 2021				
	Note 4	Balance as at 1 January 2021	Net charge for the year	Write-offs and transfer out	Other	Balance as at 31 December 2021
Balances with banks and other financial institutions	12	662	4	(658)	–	8
Placements with banks and other financial institutions	13	972	617	–	–	1,589
Financial assets held under resale agreements	15	4	16	–	–	20
Loans and advances to customers	16	97,637	58,660	(54,840)	3,651	105,108
Financial investments	17	12,204	14,692	(9,645)	(52)	17,199
Long-term receivables	18	4,269	2,845	(2,835)	(116)	4,163
Property and equipment	19	270	236	–	(3)	503
Other assets	23	4,047	1,695	(1,640)	(38)	4,064
Total		120,065	78,765	(69,618)	3,442	132,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.25 Deposits and placements from banks and other financial institutions

	31 December 2022	31 December 2021
China mainland		
Banks	**204,529**	168,846
Other financial institutions	**1,192,187**	1,054,415
Overseas		
Banks	**38,617**	26,297
Other financial institutions	**37,327**	37,523
Subtotal	**1,472,660**	1,287,081
Interest accrued	**6,381**	7,277
Total	**1,479,041**	1,294,358

4.26 Borrowings from banks and other financial institutions

	31 December 2022	31 December 2021
Unsecured borrowings	**88,333**	96,859
Borrowings secured by		
– Tangible assets and monetary assets	**16,323**	16,853
Subtotal	**104,656**	113,712
Interest accrued	**573**	749
Total	**105,229**	114,461

As at 31 December 2022 and 31 December 2021, the secured borrowings were secured by property and equipment and finance lease receivables as collateral; the above collateral has been included in the disclosure of assets pledged (Note 6.3(1)).

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.27 Financial assets sold under repurchase agreements

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

	31 December 2022	31 December 2021
Bonds	**55,617**	12,828
Bills rediscounted	**48,163**	23,537
Subtotal	**103,780**	36,365
Interest accrued	**360**	120
Total	**104,140**	36,485

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For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.28 Deposits from customers

	31 December 2022	31 December 2021
Demand deposits		
– Corporate customers	**1,014,133**	1,215,239
– Personal customers	**289,671**	248,459
Time deposits (including call deposits)		
– Corporate customers	**1,952,242**	1,728,774
– Personal customers	**730,873**	576,964
Certificates of deposit	**4,159**	3,365
Outward remittance and remittance payables	**2,449**	2,960
Subtotal	**3,993,527**	3,775,761
Interest accrued	**58,065**	49,932
Total	**4,051,592**	3,825,693

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

	31 December 2022	31 December 2021
Pledged deposits for bank acceptances	**184,557**	121,906
Pledged deposits for letters of credit and guarantees	**16,429**	17,663
Other pledged deposits	**49,234**	53,510
Total	**250,220**	193,079

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.29 Provisions

		31 December 2022	31 December 2021
Credit loss of off-balance sheet credit commitments	(1)	**1,844**	1,834
Litigation provision		**517**	343
Others		**95**	73
Total		**2,456**	2,250

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

	Year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2022	**(1,227)**	**(524)**	**(83)**	**(1,834)**
Transfer:				
to stage 1	**(133)**	**109**	**24**	**–**
to stage 2	**29**	**(33)**	**4**	**–**
to stage 3	**12**	**84**	**(96)**	**–**
Net (charge)/reversal	**(102)**	**20**	**75**	**(7)**
Other movements	**(3)**	**–**	**–**	**(3)**
Balance as at 31 December 2022	**(1,424)**	**(344)**	**(76)**	**(1,844)**

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(1,619)	(221)	(45)	(1,885)
Transfer:				
to stage 1	(61)	42	19	–
to stage 2	58	(138)	80	–
to stage 3	14	1	(15)	–
Net reversal/(charge)	323	(208)	(122)	(7)
Other movements	58	–	–	58
Balance as at 31 December 2021	(1,227)	(524)	(83)	(1,834)

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.30 Debt securities issued

		31 December 2022	31 December 2021
Certificates of interbank deposit		**446,888**	497,558
Financial bonds	(1)	**99,992**	79,989
Tier-two capital bonds	(2)	**89,991**	119,967
Medium-term and short-term notes	(3)	**7,658**	10,161
Subtotal		**644,529**	707,675
Interest accrued		**3,578**	3,349
Total		**648,107**	711,024

For the years ended 31 December 2022 and 2021, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.30 Debt securities issued *(continued)*

(1) Financial bonds

		31 December 2022	31 December 2021
RMB20 billion-3-year fixed rate financial bonds 2022	(a)	**19,998**	–
RMB30 billion-3-year fixed rate financial bonds 2021	(b)	**29,997**	29,995
RMB30 billion-3-year fixed rate financial bonds 2021	(c)	**29,997**	29,995
RMB20 billion-3-year fixed rate financial bonds 2020	(d)	**20,000**	19,999
Total		**99,992**	79,989

(a) RMB20 billion worth of fixed-rate financial bonds were issued on 7 April 2022, with a term of three years, and a fixed coupon rate of 2.95% per annum.

(b) RMB30 billion worth of fixed-rate financial bonds were issued on 8 December 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.

(c) RMB30 billion worth of fixed-rate financial bonds were issued on 10 November 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.

(d) RMB20 billion worth of fixed-rate financial bonds were issued on 18 March 2020, with a term of three years, and a fixed coupon rate of 2.75% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.30 Debt securities issued *(continued)*

(2) Tier-two capital bonds

		31 December 2022	31 December 2021
RMB50 billion-10-year fixed rate tier-two capital bonds 2020	(a)	**49,996**	49,995
RMB40 billion-10-year fixed rate tier-two capital bonds 2019 1st tranche	(b)	**39,995**	39,994
RMB15 billion-10-year fixed rate tier-two capital bonds 2017 1st tranche	(c)	**–**	14,989
RMB15 billion-10-year fixed rate tier-two capital bonds 2017 2nd tranche	(d)	**–**	14,989
Total		**89,991**	119,967

(a) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued on 24 June 2020. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.

(b) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued on 27 February 2019. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(c) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued on 12 September 2017 as the 1st tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank has redeemed all of them on 14 September 2022.

(d) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued on 27 November 2017 as the 2nd tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank has redeemed all of them on 29 November 2022.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.30 Debt securities issued *(continued)*

(3) Medium-term and short-term notes

		31 December 2022	31 December 2021
2020-3-year medium-term notes	(a)	**3,480**	3,182
2018-5-year medium-term notes	(b)	**4,178**	3,824
2017-5-year medium-term notes	(c)	**–**	2,231
2021 short-term notes	(d)	**–**	924
Total		**7,658**	10,161

(a) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued on 22 October 2020, with a term of 3 years. The coupon rate is 1.03%.

(b) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued on 9 March 2018, with a term of 5 years. The coupon rate is 1.25%.

(c) Medium-term notes with a nominal value of USD0.35 billion of medium-term notes were issued on 11 September 2017, with a term of 5 years. The coupon rate is 1.20%. The Bank has repaid all of them on 11 September 2022.

(d) Three short-term notes with total nominal value of USD145 million of short-term notes were issued in 2021. The original maturities of the notes vary from 3 months to 1 year, and the interest rate range is 1.00%-1.80%. The Bank has repaid all of them before 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.31 Other liabilities

		31 December 2022	31 December 2021
Items in the process of clearance and settlement		**16,134**	8,773
Employee benefits payable	(1)	**14,414**	12,907
Lease payments received in advance		**7,225**	8,334
Notes payable		**4,679**	6,410
Other tax payable	(2)	**4,039**	4,674
Output value added tax to be transferred		**2,211**	2,054
Other payable		**1,334**	2,406
Continuously involved liabilities		**1,038**	1,038
Accrued expenses		**942**	879
Deferred fee and commission income		**231**	671
Intermediate collection and payment		**251**	669
Payable for long-term assets		**495**	328
Dividend payable		**2**	53
Others		**5,206**	4,740
Total		**58,201**	53,936

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.31 Other liabilities *(continued)*

(1) Employee benefits payable

	1 January 2022	Increase	Decrease	31 December 2022
Short-term employee benefits				
– Salaries, bonuses and allowances	12,395	24,484	(23,113)	13,766
– Staff welfare fees	–	1,399	(1,399)	–
– Social insurance (a) and supplementary insurance	160	1,064	(1,048)	176
– Housing fund	98	1,504	(1,473)	129
– Labour union fee, staff and workers' education fee	40	553	(552)	41
Subtotal	12,693	29,004	(27,585)	14,112
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	124	1,742	(1,707)	159
– Unemployment insurance	19	59	(57)	21
– Annuity scheme (b)	71	650	(599)	122
Subtotal	214	2,451	(2,363)	302
Total	12,907	31,455	(29,948)	14,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.31 Other liabilities *(continued)*

(1) Employee benefits payable *(continued)*

	1 January 2021	Increase	Decrease	31 December 2021
Short-term employee benefits				
– Salaries, bonuses and allowances	10,347	24,136	(22,088)	12,395
– Staff welfare fees	–	1,601	(1,601)	–
– Social insurance (a) and supplementary insurance	162	953	(955)	160
– Housing fund	127	1,359	(1,388)	98
– Labour union fee, staff and workers' education fee	34	563	(557)	40
Subtotal	10,670	28,612	(26,589)	12,693
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	136	1,529	(1,541)	124
– Unemployment insurance	21	55	(57)	19
– Annuity scheme (b)	50	819	(798)	71
Subtotal	207	2,403	(2,396)	214
Total	10,877	31,015	(28,985)	12,907

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.31 Other liabilities *(continued)*

(1) Employee benefits payable *(continued)*

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

(b) For the year ended 31 December 2022, the contributions to the annuity schemes of the Bank and those subsidiaries were calculated at 3% of the employees' total annual salary (2021: 4%).

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

(2) Other tax payable

	31 December 2022	31 December 2021
Value added tax	**2,967**	3,439
Others	**1,072**	1,235
Total	**4,039**	4,674

4.32 Share capital and capital reserve

	31 December 2022	31 December 2021
Ordinary shares listed in China mainland (A shares)	**35,462**	35,462
Ordinary shares listed in Hong Kong (H shares)	**8,320**	8,320
Total shares	**43,782**	43,782

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

The Group's capital reserve of RMB58,149 million as at 31 December 2022 (31 December 2021: RMB58,149 million), mainly represents capital premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
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4 Notes to the consolidated financial statements *(continued)*

4.33 Preference Shares

(1) Outstanding Preference Shares at 31 December 2022

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount million shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB100/ Share	200	20,000	20,000	None	Mandatory	None
Total							20,000			
Less: Issue fees							(25)			
Book value							19,975			

(2) Offshore Preference Shares Main Clauses

(a) Dividend

Fixed rate for a certain period after issuance. Dividend is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the Preference Shares. Dividends will be paid annually.

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference Shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

(c) Dividend stopper

If the Bank cancels all or part of the dividends to the Preference Shareholders, the Bank shall not make any dividend distribution to ordinary shareholders before the Bank pays the dividends for the current dividend period to the Preference Shareholders in full.

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

4.33 Preference Shares *(continued)*

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

(d) Order of distribution and liquidation method

In current period, the USD Offshore Preference Shareholders are at the same order of compensation. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of Tier 2 capital bonds, holders of Perpetual Bonds and holders of other Tier 2 capital instruments of the Bank, but will be senior to the ordinary shareholders.

(e) Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. If Preference Shares were converted to ordinary H shares, it could not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBIRC has determined that the Bank would become nonviable if there is no conversion or write-down of capital; (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Bank would become nonviable), the Bank shall have the right to convert all Preference Shares into H shares without the consent of Preference Shareholders. If Preference Shares were converted to ordinary H shares, it could not be converted to Preference Shares again.

(f) Redemption

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Bank has right to redeem all or some of offshore preference shares in first call date and subsequent any dividend payment date. The first call date after issuance and subsequent any dividend payment date (redemption price is equal to issue price plus accrued dividend in current period).

The First Redemption Date of USD Preference Shares is five years after issuance.

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

4.33 Preference Shares *(continued)*

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

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders.

The Bank shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares).

(3) Domestic Preference Shares Main Clauses

(a) Dividend

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

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed and investors shall be informed in time.

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

4.33 Preference Shares *(continued)*

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

(c) Dividend stopper

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

(d) Order of distribution and liquidation method

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

(e) Mandatory conversion trigger events

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

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

(f) Redemption

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

The Bank has the right to redeem all or part of the domestic Preferred Shares issued in this issue on the preferred stock dividend date of each year, starting from the date of expiration of 5 years after the issue date (i.e., 15 October, 2019), and the redemption period shall expire on the date of conversion or redemption in full. In the case of partial redemption, all domestic preferred shares issued in this issue will be redeemed on the same terms and in proportion.

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For the year ended 31 December 2022
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4 Notes to the consolidated financial statements *(continued)*

4.33 Preference Shares *(continued)*

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

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over common shareholders.

The dividend of the Domestic Preference Shares issued this time shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(4) Changes in preference shares outstanding

	1 January 2022		Movements		31 December 2022	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Domestic Preference Shares	**200**	**19,975**	**–**	**–**	**200**	**19,975**

	1 January 2021		Movements		31 December 2021	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Offshore Preference Shares(i)	72	9,892	(72)	(9,892)	–	–
Domestic Preference Shares	200	19,975	–	–	200	19,975

(i) Offshore preference shares have been redeemed on 14 December 2021.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.34 Perpetual Bonds

(1) Outstanding Perpetual Bonds at 31 December 2022

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million pieces)	In original currency	In RMB	Maturity	Conversion condition	Conversion
2019 Undated Tier 1 Capital Bonds	30/05/2019	Equity	4.85%	100 RMB/ Note	400	40,000	40,000	None	None	None
Total							40,000			
Less: Issue fees							(7)			
Book value							39,993			
2021 Undated Tier 1 Capital Bonds										
– First Tranche	19/04/2021	Equity	4.30%	100 RMB/ Note	300	30,000	30,000	None	None	None
Total							30,000			
Less: Issue fees							(4)			
Book value							29,996			
2022 Undated Tier 1 Capital Bonds										
– First Tranche	**14/06/2022**	**Equity**	**4.20%**	**100 RMB/ Note**	**50**	**5,000**	**5,000**	**None**	**None**	**None**
Total							**5,000**			
Less: Issue fees							**(2)**			
Book value							**4,998**			
Total							**74,987**			

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

4.34 Perpetual Bonds *(continued)*

(2) Main Clauses

(a) Principal Amount

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds – First Tranche RMB30 billion.

2022 Undated Tier 1 Capital Bonds – First Tranche RMB5 billion.

(b) Maturity Date

The Notes will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Notes 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 Notes will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on HYPERLINK "http://www.chinabond/" ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Note Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the Issuance of the Notes, the Issuer may redeem the Notes in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Notes no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some part of the Notes.

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

4.34 Perpetual Bonds *(continued)*

(2) Main Clauses *(continued)*

(e) Subordination

The claims in respect of the Notes, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Notes; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Tier 1 Capital instruments of the Issuer that rank pari passu with the Notes. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Notes and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Noteholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Notes, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Notes do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option of investors is not applicable.

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

4.35 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the CBIRC, the preferred shares and perpetual bonds issued by the Bank has met the criteria for qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	31 December 2022	31 December 2021
Total equity attributable to equity holders of the Bank	**599,928**	574,280
Equity attributable to ordinary equity holders of the Bank	**504,966**	484,316
Equity attributable to other equity holders of the Bank	**94,962**	89,964
Total equity attributable to non-controlling interests	**12,886**	12,259
Equity attributable to non-controlling interests of ordinary shares	**12,886**	12,259

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

4.36 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, until the statutory surplus reserve reaches 50% of its registered capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group appropriated RMB3,433 million statutory surplus reserve for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB3,364 million).

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB3,481 million of profits to the general reserve for the year ended 31 December 2022 (for the year ended 31 December 2021: RMB414 million).

(3) Retained earnings

As at 31 December 2022, the retained earnings included the statutory surplus reserve of RMB848 million contributed by the subsidiaries and attributable to the Bank (31 December 2021: RMB728 million). The surplus reserve of the subsidiaries attributable to the Bank included in the retained earnings cannot be distributed.

4.37 Non-controlling interests

As at 31 December 2022, the non-controlling interests in the subsidiaries were RMB12,886 million (31 December 2021: RMB12,259 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
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4 Notes to the consolidated financial statements *(continued)*

4.38 Dividends/Interests

(1) Dividends for Ordinary Shares

The Board of directors proposed the profit distribution plan for year 2022 in the meeting held on 27 March 2023. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividend declared was RMB2.14 (including tax) for every 10 shares. A total dividend of RMB9,369 million (including tax) was based on the total number of shares of 43,782 million as on 31 December 2022. The plan is yet to be reviewed and approved by the shareholders in the annual general meeting of the Bank.

The shareholders approved the cash dividends distribution plan for 2021 at the Annual General Meeting on 10 June 2022. The cash dividends declared was RMB2.13 (including tax) for every 10 shares. A total dividend of RMB9,326 million (including tax) was based on total number of shares of 43,782 million as on 31 December 2021.

(2) Dividends for Preference Shares

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 29 September 2022, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax) before the first reset date pursuant to the terms and conditions of domestic preference shares. The dividend payment date was 18 October 2022.

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 27 August 2021, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax) before the first reset date pursuant to the terms and conditions of domestic preference shares. The dividend payment date was 18 October 2021.

According to the resolution on the distribution of dividends for offshore preference shares passed at the Board of Directors' meeting held on 4 August 2021, dividend approved was amounted to RMB512 million (including tax), calculated at the initial annual dividend rate of 4.95% (including tax). The dividend payment date was 14 December 2021.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.38 Dividends/Interests *(continued)*

(3) Interests for Perpetual Bonds

On 23 May 2022, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 11 April 2022, the Bank declared interest for 2021 undated tier 1 capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 2 June 2021, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

4.39 Investment revaluation reserve and cash flow hedging reserve

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Investment revaluation reserve	**Cash flow hedging reserve**	**Total**
As at 1 January 2022	**573**	**(7)**	**566**
Net changes in amount for the year	**(1,652)**	**8**	**(1,644)**
As at 31 December 2022	**(1,079)**	**1**	**(1,078)**

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2021	(1,740)	(24)	(1,764)
Net changes in amount for the year	2,313	17	2,330
As at 31 December 2021	573	(7)	566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4.40 Notes to the consolidated cash flow statement

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	31 December 2022	31 December 2021
Cash (Note 4.11)	**6,983**	5,292
Surplus deposit reserves with central bank (Note 4.11)	**19,301**	41,093
Original maturity within 3 months:		
– Balances with banks and other financial institutions	**82,921**	88,609
– Placements with banks and other financial institutions	**19,100**	28,424
Total	**128,305**	163,418

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

4.41 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

(1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the year ended 31 December 2022, securitisation transactions of RMB8,252 million were transferred by the Group (2021: RMB7,484 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing financial assets

For the year ended 31 December 2022, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB34,785 million (2021: RMB32,963 million). The Group transferred substantially all the risks and rewards of these non-performing financial assets and therefore has derecognized them.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2022, the carrying amount of debt securities lent to counterparties was RMB10,070 million (31 December 2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5 Segment information

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

5.1 Business segments

(a) Corporate banking — Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business.

(b) Retail banking — Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.

(c) Others — Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries.

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information *(continued)*

5.1 Business segments *(continued)*

	Year ended 31 December 2022			
	Corporate banking	Retail banking	Others	Total
Operating income	67,966	64,951	6,302	139,219
Net interest income	55,563	52,262	(362)	107,463
Include: inter-segment net interest income/(expense)	27,497	(19,504)	(7,993)	–
Net fee and commission income	5,939	12,445	1,890	20,274
Net other income	6,464	244	4,774	11,482
Operating expenses	(13,884)	(20,709)	(18,009)	(52,602)
Credit impairment losses	(24,221)	(21,212)	(3,329)	(48,762)
Other impairment losses	(571)	–	(114)	(685)
Profit before income tax	29,290	23,030	(15,150)	37,170
Depreciation and amortisation	2,815	2,690	2,300	7,805
Capital expenditure	2,629	2,512	8,062	13,203

	As at 31 December 2022			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,406,031	1,785,335	1,008,606	7,199,972
Include: Investments in associates				–
Deferred income tax assets				55,701
Total assets				7,255,673
Segment liabilities	(4,822,844)	(1,152,965)	(666,814)	(6,642,623)
Deferred income tax liabilities				(236)
Total liabilities				(6,642,859)
Credit commitments	737,946	525,942	–	1,263,888

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(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information *(continued)*

5.1 Business segments *(continued)*

	Year ended 31 December 2021			
	Corporate banking	Retail banking	Others	Total
Operating income	86,686	70,391	8,477	165,554
Net interest income	67,930	54,659	3,186	125,775
Include: inter-segment net interest income/(expense)	22,533	(22,333)	(200)	–
Net fee and commission income	11,992	15,535	39	27,566
Net other income	6,764	197	5,252	12,213
Operating expenses	(13,986)	(20,178)	(17,017)	(51,181)
Credit impairment losses	(54,724)	(22,130)	(544)	(77,398)
Other impairment losses	(1,112)	(1)	(262)	(1,375)
Profit before income tax	16,864	28,082	(9,346)	35,600
Depreciation and amortisation	2,909	2,363	2,135	7,407
Capital expenditure	2,784	2,262	8,800	13,846

	As at 31 December 2021			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,475,982	1,765,982	658,918	6,900,882
Include: Investments in associates				2
Deferred income tax assets				51,904
Total assets				6,952,786
Segment liabilities	(4,640,062)	(945,879)	(780,059)	(6,366,000)
Deferred income tax liabilities				(247)
Total liabilities				(6,366,247)
Credit commitments	554,808	525,796	–	1,080,604

5 Segment information *(continued)*

5.2 Geographical segments

The Group mainly operates in China mainland, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also has a number of subsidiaries in China mainland and has one branch and subsidiaries in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
Northeastern Region	Including branches in Liaoning Province, Jilin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

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5 Segment information *(continued)*

5.2 Geographical segments *(continued)*

	Year ended 31 December 2022 Operating income	Year ended 31 December 2022 Profit before income tax	As at 31 December 2022 Segment assets (1)
Head Office	42,044	3,603	3,245,459
Yangtze River Delta	23,163	9,475	1,231,497
Pearl River Delta	16,357	3,834	684,996
Bohai Rim	19,108	8,764	1,332,535
Northeastern Region	1,950	22	169,176
Central Region	11,121	3,905	545,393
Western Region	15,097	3,334	633,344
Overseas and subsidiaries	10,379	4,233	364,375
Inter-segment elimination	–	–	(1,006,803)
Total	139,219	37,170	7,199,972

	Year ended 31 December 2021 Operating income	Year ended 31 December 2021 Profit/(Loss) before income tax	As at 31 December 2021 Segment assets (1)
Head Office	54,768	4,438	3,060,640
Yangtze River Delta	28,453	12,634	1,236,380
Pearl River Delta	18,370	8,708	625,416
Bohai Rim	20,256	3,228	1,207,506
Northeastern Region	2,732	(210)	154,200
Central Region	15,696	969	502,893
Western Region	16,278	2,439	616,835
Overseas and subsidiaries	9,001	3,394	365,510
Inter-segment elimination	–	–	(868,498)
Total	165,554	35,600	6,900,882

(1) Segment assets do not include deferred tax assets.

(Expressed in millions of Renminbi, unless otherwise stated)

6 Contingent liabilities and commitments

6.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

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

	31 December 2022	31 December 2021
Bank acceptances	**495,920**	340,726
Guarantees	**134,395**	146,076
Letters of credit	**82,175**	77,382
Unused credit card commitments	**489,137**	491,370
Irrevocable credit commitments		
– original maturity date within 1 year	**40,938**	17,680
– original maturity date over 1 year (inclusive)	**21,323**	7,370
Total	**1,263,888**	1,080,604

Details of credit loss of off-balance-sheet credit commitments (Note 4.29).

	31 December 2022	31 December 2021
Credit risk weighted amounts of credit commitments	**359,477**	297,342

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6 Contingent liabilities and commitments *(continued)*

6.2 Capital commitments

	31 December 2022	31 December 2021
Contracted but not paid for	**25,339**	22,134

6.3 Collateral

(1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

	31 December 2022	31 December 2021
Balances with banks and other financial institutions	**3,394**	4,201
Loans and advances to customers	**195,237**	100,340
Discounted bills	**48,539**	23,739
Bonds	**61,244**	248,307
Long-term receivables	**15,701**	14,203
Property and equipment	**6,439**	8,405
Others	**–**	32
Total	**330,554**	399,227

(2) Collateral received

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 31 December 2022, the Group had no collateral that was sold or lent to counterparties, but obligated to return (31 December 2021: RMB632 million).

6 Contingent liabilities and commitments *(continued)*

6.4 Underwriting of securities

As at 31 December 2022, there was no unexpired underwriting commitment for the Group (31 December 2021: Nil).

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 31 December 2022 was RMB1,706 million (31 December 2021: RMB1,888 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2022. With consideration of the professional advice, the Group's management believes that litigation matters will not have any material adverse effect on the Group financial position or operating results.

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7 Interests in structured entities

7.1 Consolidated structured entities

As at 31 December 2022 and 31 December 2021, the Group has no significant consolidated structured entities.

7.2 Unconsolidated structured entities

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

Unconsolidated structured entities sponsored by third party institutions include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	31 December 2022			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	1,448	184,301	30,193	215,942
Funds	235,452	–	–	235,452
Trust and asset management plans	14,185	43,061	–	57,246
Others	5,365	–	–	5,365
Total	256,450	227,362	30,193	514,005

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(Expressed in millions of Renminbi, unless otherwise stated)

7 Interests in structured entities *(continued)*

7.2 Unconsolidated structured entities *(continued)*

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

	31 December 2021			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	1,347	220,181	43,503	265,031
Funds	191,011	–	–	191,011
Trust and asset management plans	12,860	76,724	–	89,584
Others	1,091	–	–	1,091
Total	206,309	296,905	43,503	546,717

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

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7 Interests in structured entities *(continued)*

7.2 Unconsolidated structured entities *(continued)*

(2) Interests held in structured entities sponsored and managed but not consolidated by the Group

Structured entities sponsored and managed but not consolidated by the Group primarily include wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

In July 2020, the regulators announced the extension to the end of 2021 of the transition period set out in the Guiding Opinions on Improving the *Compliance of the Asset Management Operations of Financial Institutions*, encouraging financial institutions to adopt a combination of methods to dispose their existing portfolio, including new wealth management products undertaking, market-oriented transfer, and/or recognition in the balance sheet. The Bank is moving steadily ahead with the relevant work to ensure the smooth transition and robust development of the asset and wealth management business. In 2020 and 2021, the Group undertook part of the wealth management investment assets from non-principal-guaranteed wealth management products issued in the Group's financial investments.

As at 31 December 2022, the balance of wealth management products sponsored and managed but not consolidated by the Group is RMB883,977 million (31 December 2021: RMB1,012,833 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB161,998 million (31 December 2021: RMB195,548 million).

For the year ended 31 December 2022, the amount of fee and commission income received from the above mentioned structured entities by the Group is RMB4,756 million (for the year ended 31 December 2021: RMB9,611 million). As at 31 December 2022 and 31 December 2021, the carrying amounts of commission receivable being recognised are not material in the statement of financial positions.

8 Entrusted lending business

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

	31 December 2022	31 December 2021
Entrusted loans	**275,934**	243,371
Entrusted funds	**275,934**	243,371

9 Related parties

9.1 Related parties

(1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be a natural person, corporate or unincorporated organization.

Related parties of the Group mainly include corporates or unincorporated organizations that hold or control more than 5% of the Bank's equity interests, and corporates or unincorporated organizations that hold less than 5% of the Bank's equity interests but have significant influence on the Bank, and the controlling shareholders, actual controllers, persons acting in concert, and ultimate beneficiaries of these entities as well as corporates or unincorporated organizations under the control of these entities; the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers (hereinafter referred to as "insiders of the Bank"), their close family members, and the corporates or unincorporated organizations controlled by the aforementioned persons; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; corporates or unincorporated organizations under control or significant influence of the Bank; and natural persons, corporates or unincorporated organizations identified by the Bank as being related on a substance over form basis and/or see-through basis.

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9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders

Company name	Registered location	31 December 2022 No. of Shares of the Bank held by the Company (share)	31 December 2022 Proportion of shares of the Bank held by the Company (%)	31 December 2021 No. of Shares of the Bank held by the Company (share)	31 December 2021 Proportion of shares of the Bank held by the Company (%)	Business (a)	Legal form	Legal representative
Dajia Life Insurance Inc.	Beijing	**7,810,214,889**	**17.84**	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
China Oceanwide Holdings Group Co., Ltd.	Beijing	**1,803,182,618**	**4.12**	1,803,182,618	4.12	Commercial service	Limited company	Lu Zhiqiang
Oceanwide International Equity Investment Limited	British Virgin Islands	**604,300,950**	**1.38**	604,300,950	1.38	Investment holding	Limited company	(b)
Long Prosper Capital Company Limited	British Virgin Islands	**138,442,500**	**0.32**	138,442,500	0.32	Investment holding	Limited company	(b)
China Oceanwide International Investment Company Limited	Hong Kong	**8,237,520**	**0.02**	8,237,520	0.02	Investment holding	Limited company	(b)
Shanghai Giant Lifetech Co., Ltd.	Shanghai	**1,379,679,587**	**3.15**	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
Alpha Frontier Limited	Cayman Islands	**713,501,653**	**1.63**	713,501,653	1.63	Investment holding	Limited company	Zhang lv
Liberal Rise Limited	British Virgin Islands	**84,522,480**	**0.19**	84,522,480	0.19	Investment holding	Limited company	Shi Yuzhu
New Hope Liuhe Investment Co., Ltd.	Tibet	**1,828,327,362**	**4.18**	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Tibet	**343,177,327**	**0.78**	343,177,327	0.78	Retailing	Limited company	Li Jianxiong
Tongfang Guoxin Investment Co., Ltd.	Chongqing	**1,888,530,701**	**4.31**	1,888,530,701	4.31	Commercial service	Limited company	Liu Qinqin
Chongqing International Trust Co., Ltd.	Chongqing	**103,658,821**	**0.24**	103,658,821	0.24	Other financial industry	Joint stock limited company	Weng Zhenjie
China Shipowners Mutual Assurance Association	Shanghai	**1,324,284,453**	**3.02**	1,324,284,453	3.02	Marine mutual insurance and services	National social group	Song Chunfeng

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(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

Company name	Registered location	31 December 2022 No. of Shares of the Bank held by the Company (share)	31 December 2022 Proportion of shares of the Bank held by the Company (%)	31 December 2021 No. of Shares of the Bank held by the Company (share)	31 December 2021 Proportion of shares of the Bank held by the Company (%)	Business (a)	Legal form	Legal representative
Orient Group Incorporation	Heilongjiang	**1,280,117,123**	**2.92**	1,280,117,123	2.92	Agricultural and sideline food processing industry	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Beijing	**35,000,000**	**0.08**	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
Good First Group Co., Ltd.	Shanghai	**268,340,026**	**0.61**	249,340,026	0.57	Wholesaling	Limited company	Wu Di
Tibet Fu Ju Investment Co., Ltd.	Tibet	**187,802,400**	**0.43**	297,922,400	0.68	Commercial service	Limited company	Wu Di
Tibet Heng Xun Corporate Management Co., Ltd.	Tibet	**93,762,400**	**0.21**	105,844,780	0.24	Commercial service	Limited company	Hong Zhihua

(a) Particulars of principal operations:

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

China Oceanwide Holdings Group Co., Ltd.: finance; real estate and investment management, etc.

Oceanwide International Equity Investment Limited: investment holdings, etc.

Long Prosper Capital Company Limited: investment holdings, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations: *(continued)*

China Oceanwide International Investment Co, Ltd.: investment holdings, etc.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale of pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

Alpha Frontier Limited: investment holdings.

Liberal Rise Limited: investment holdings.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, by products and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

Tongfang Guoxin Investment Co., Ltd.: transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management; proprietary investments (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; corporate restructuring and M&A planning and advisory services (Except for the items subject to approval according to law, the company shall independently carry out business activities according to law with its business license).

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations: *(continued)*

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Orient Group Incorporation: permitted item: food production (branch operation); Bean products manufacturing (branch operation); Crop seed management (branch operation); Job intermediary activities. General items: grain purchase; Import and export of goods; Technology import and export; Foreign contracted projects; estate management; Sales of light building materials; Sales of building materials; Sales of construction machinery; Furniture sales; Wholesale of hardware products; Sanitary ware sales; Sales of metal materials; Research and development of new material technology; Grain sales; Grain planting (branch operation); Enterprise headquarters management; Primary processing of edible agricultural products (branch operation).

Oriental Group Co., Ltd.: project investment; investment management; real estate development; import and export agency; goods import and export; and economic and trade consulting, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations: ***(continued)***

Good First Group Co., Ltd.: high-tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Fu Ju Investment Co., Ltd.: investments in commercial, agricultural, medical, entertainment and education industries (forbidden operations include: trust, financial asset management, and securities asset management business; also excluded: securities, insurance, funds, financial business and their restricted activities) (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(b) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are entities incorporated overseas, and are ultimately controlled by Mr. Lu Zhiqiang.

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	31 December 2022	31 December 2021
Dajia Life Insurance Inc.	**RMB30,790 million**	RMB30,790 million
China Oceanwide Holdings Group Co., Ltd.	**RMB20,000 million**	RMB20,000 million
Oceanwide International Equity Investment Limited	**USD0.05 million**	USD0.05 million
Long Prosper Capital Company Limited	**USD0.05 million**	USD0.05 million
China Oceanwide International Investment Company Limited	**HKD1,548 million**	HKD1,548 million
Shanghai Giant Lifetech Co., Ltd.	**RMB245 million**	RMB245 million
Alpha Frontier Limited	**USD17.5 thousand**	USD0.05 million
Liberal Rise Limited	**USD0.05 million**	USD0.05 million
New Hope Liuhe Investment Co., Ltd.	**RMB577 million**	RMB577 million
South Hope Industrial Co., Ltd.	**RMB1,034 million**	RMB1,034 million
Tongfang Guoxin Investment Co., Ltd.	**RMB2,574 million**	RMB2,574 million
Chongqing International Trust Co., Ltd.	**RMB15,000 million**	RMB15,000 million
China Shipowners Mutual Assurance Association	**RMB0.10 million**	RMB0.10 million
Orient Group Incorporation	**RMB3,659 million**	RMB3,715 million
Oriental Group Co., Ltd.	**RMB1,000 million**	RMB1,000 million
Good First Group Co., Ltd.	**RMB133 million**	RMB133 million
Tibet Fu Ju Investment Co., Ltd.	**RMB300 million**	RMB300 million
Tibet Heng Xun Corporate Management Co., Ltd.	**RMB10 million**	RMB10 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(4) Relationship with related parties

Company name	Relationship with the Bank
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Cibi Business Information Consulting Co., Ltd. (a)	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Guizhou Guoyuan Mining Development Co., Ltd.	Related party with equity interests held by the Bank
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
Bank Of Hebei Co., Ltd.	Related party of the Bank's insiders
Beijing Dacheng Hotel Co., Ltd.	Related party of Orient Group Incorporation
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Sichuan Dazhou Steel Group Co., Ltd.	Related party with equity interests held by the Bank
Guangxi Xindi Investment Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
SINO-OCEAN GROUP HOLDING LIMITED	Related party of the Bank's insiders
CHINA TONGHAI DCM LIMITED	Related party of China Oceanwide Holdings Group Co., Ltd.
Sichuan Hope Education Industry Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Hongfu Co., Ltd.	Related party of Good First Group Co., Ltd.
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Special Drive Education Management Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
New Hope Dairy Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Shengshanling Business Management Co., Ltd. (b)	Related party of Good First Group Co., Ltd.
Zhangzhou Tangcheng Real Estate Co., Ltd.	Related party of Good First Group Co., Ltd.
Wenzhou Xinjintian Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Wangrun Asset Management Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(4) Relationship with related parties *(continued)*

Company name	Relationship with the Bank
Minsheng Real Estate Co., Ltd.	Companies funded by the Labour Union Committee of the Bank
Minsheng Pension Co., Ltd.	Companies funded by the Labour Union Committee of the Bank and other companies
Beijing Changrong Heyin Investment Management Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Neural Management of Comprehensive Channels Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Sanya Minsheng Tourism Co., Ltd.	Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.
Hongtai Keystone Asset Management Co., Ltd.	Companies funded by Labour Union Committee of credit card centre and related parties of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Companies funded by the Labour Union Committee of Beijing branch of the Bank

(a) As at 8 July 2022, Chongqing Cibi Business Information Consulting Co., Ltd. was renamed as Shanghai Cibi Business Information Consulting Co., Ltd.

(b) As at 27 December 2022, Xiamen Jingding Sports Culture Development Co., Ltd. was renamed as Xiamen Shengshanling Business Management Co., Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(5) Related natural persons

The related natural persons of the Group include: the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers, and their close family members; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and natural persons identified by the Bank as being related on a substance over form basis and/or look-through basis. As of 31 December 2022, the Bank has 12,284 related natural persons, including 186 who were directors of the Bank and their close family members, 108 who were supervisors of the Bank and their close family members, 179 who were senior executives of the head office and their close family members, 11,596 who were senior executives of key branches of the Bank or people with the power to approve or make decisions in connection with core businesses, such as large credit exposures and asset transfers, and their close family members, 136 who were directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries, and 157 other natural persons.

Note: Among the Bank's directors and their close family members, 33 were also senior executives of the head office or close family members, and 9 persons were also directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; among the Bank's supervisors and their close family members, 36 were also senior executives of the head office or their close family members.

9.2 Related party transactions

(1) Material related party transactions

Material related party transactions refer to transactions where an individual transaction between the Group and a single related party amounts to more than 1% of the Group's net capital at the end of the previous quarter, or where the cumulative total of transactions between the Group and a single related party amounts to more than 5% of the Group's net capital at the end of the previous quarter. In 2021, the Bank provided to Dajia Life Insurance Inc. a RMB15.7 billion credit facility for a term of 2 years on normal commercial terms. The loan balance at the end of 2022 was RMB15.7 billion, whereas it was RMB11.5 billion at the end of 2021.

(2) Pricing policy

Transactions between the Group and its related parties are mainly conducted in the normal course of its business and on normal commercial terms, following the pricing policies that are consistent with those applicable to similar transactions with independent non-related parties.

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	31 December 2022	31 December 2021
Dajia Life Insurance Inc.	Pledged/Guaranteed	**15,700**	11,500
Oceanwide Holding Co., Ltd.	Pledged/ Collateralised/ Guaranteed	**9,200**	9,200
Shanghai Cibi Business Information Consulting Co., Ltd.	Pledged/ Guaranteed	**6,613**	6,615
China Oceanwide Holdings Group Co., Ltd.	Pledged/ Guaranteed	**4,666**	4,666
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/ Guaranteed	**4,381**	4,383
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	**3,972**	3,972
Guizhou Guoyuan Mining Development Co., Ltd.(a)	Pledged/ Collateralised/ Guaranteed	**3,335**	N/A
Wuhan CBD Co., Ltd.	Collateralised/ Guaranteed	**3,046**	3,046
Orient Group Incorporation	Pledged/Collateralised/ Guaranteed	**2,837**	3,086
UNITED ENERGY GROUP (HONG KONG) LIMITED	Pledged/Guaranteed	**2,208**	3,099
Oriental Group Co., Ltd.	Pledged/Guaranteed	**2,092**	2,336
Bank Of Hebei Co., Ltd.(a)	Pledged	**1,703**	N/A
Beijing Dacheng Hotel Co., Ltd.	Pledged/Collateralised/ Guaranteed	**1,700**	–
Tongfang Guoxin Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	**1,448**	1,443
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	**1,040**	900
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/Guaranteed	**950**	1,000
Sichuan Dazhou Steel Group Co., Ltd. (a)	Pledged/Collateralised/ Guaranteed	**725**	N/A
Guangxi Xindi Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	**596**	–

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For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties *(continued)*

	Types of collateral	31 December 2022	31 December 2021
Xiamen Rongyin Co., Ltd.	Pledged/Collateralised/ Guaranteed	**590**	450
SINO-OCEAN GROUP HOLDING LIMITED (a)	Pledged/Guaranteed	**471**	N/A
Beijing Changrong Heyin Investment Management Co., Ltd.	Pledged	**390**	600
CHINA TONGHAI DCM LIMITED	Pledged/Guaranteed	**301**	335
Sichuan Hope Education Industry Group Co., Ltd.	Pledged	**250**	250
Xiamen Hongfu Co., Ltd.	Guaranteed	**199**	299
Grass Green Group Co., Ltd.	Pledged/Guaranteed	**167**	179
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	**150**	150
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	**150**	150
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/Guaranteed	**147**	148
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	**130**	150
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	**71**	230
New Hope Dairy Co., Ltd.	Pledged	**69**	115
Shenzhen Fanhai Sanjiang Science and Technology Development Co., Ltd.	Collateralised	**15**	–
Shanghai Rihou Steel Tube Leasing Company Ltd. (a)	Collateralised	**8**	N/A
Jiangsu Zhijun Power Equipment Co., Ltd. (a)	Collateralised	**3**	N/A
Quanzhou Fengze District best art auto parts shop (a)	Collateralised	**2**	N/A
Wenzhou Xinjintian Real Estate Co., Ltd.	Pledged/Collateralised/ Guaranteed	**–**	1,290
Xiamen Shengshanling Business Management Co., Ltd.	Pledged/Collateralised/ Guaranteed	**–**	795
Zhangzhou Tangcheng Real Estate Co.,Ltd.	Pledged/Collateralised/ Guaranteed	**–**	116
Wuhan Guanggu Transportation Construction Co., Ltd. (b)	Pledged/Collateralised/ Guaranteed	**N/A**	195
Shandong Continental Enterprise Group Co., Ltd. (b)	Pledged/Collateralised/ Guaranteed	**N/A**	175

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties *(continued)*

	Types of collateral	31 December 2022	31 December 2021
Nanjing Ruichi Trading Co., Ltd. (b)	Collateralised	**N/A**	8
Jiangsu Wanshun Tongbao Culture Co., Ltd. (b)	Collateralised	**N/A**	6
Shandong Yi He Yi Mei Home Furnishing Technology Co.,Ltd. (b)	Guaranteed	**N/A**	2
Sichuan Dingen International Trade Co., Ltd. (b)	Collateralised	**N/A**	2
Quanzhou Haoyang Trade Co., Ltd. (b)	Collateralised	**N/A**	1
Individuals	Collateralised/ Guaranteed	**1,418**	2,822
Total		**70,743**	63,714
Ratio to similar transactions (%)		**1.74**	1.61
Interest rate ranges		**2.61%-8.95%**	3.16%-8.95%

(a) In 2022, these companies became related parties of the Group.

(b) As at 31 December 2022, these companies were no longer related parties of the Group.

Amount of transactions:

	Year ended 31 December 2022	2021
Interest income from loans	**4,189**	4,209
Ratio to similar transactions (%)	**2.33**	2.22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties

Balances as at the end of the reporting period:

	31 December 2022		31 December 2021	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost	**9,588**	**0.70**	7,609	0.59
– Financial assets at fair value through profit or loss	**560**	**0.14**	N/A	N/A
– Financial assets at fair value through other comprehensive income	**993**	**0.21**	706	0.16
Long-term receivables	**178**	**0.16**	401	0.33
Other assets (a)	**940**	**2.05**	–	–
Deposits and placements from banks and other financial institutions	**3,305**	**0.22**	12,975	1.00
Borrowings from banks and other financial institutions	**1,004**	**0.95**	N/A	N/A
Deposits from customers	**32,232**	**0.80**	32,357	0.85
Other liabilities	**27**	**0.05**	–	–

(a) Sanya Minsheng Tourism Co., Ltd. provides project management and business promotion assistant services for Minsheng Financial Leasing regarding its retail vehicle financial leasing business. Other assets mainly include the prepayment from Minsheng Financial Leasing to Sanya Minsheng Tourism Co., Ltd. for the above mentioned service fees to be amortised.

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

Amount of transactions:

	Year ended 31 December			
	2022		2021	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Interest income	**399**	**0.15**	433	0.16
Interest expense	**1,150**	**0.74**	1,540	1.01
Fee and commission income (a)	**329**	**1.29**	251	0.76
Fee and commission expense	**17**	**0.33**	–	–
Operating expenses (b)	**2,647**	**5.03**	2,786	5.66
Net other operating income (c)	**321**	**13.18**	–	–

(a) In 2022, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc.

In 2021, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc. and Huaxia Life Insurance Co., Ltd., and the income from agency sales of trust products for Chongqing International Trust Co., Ltd.

(b) Operating expenses of the Group were mainly for financial business outsourcing service and procurement service provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service provided by Minsheng Real Estate Co., Ltd. and its related parties, technology development service provided by Minsheng Fintech Co., Ltd., assets recovery service provided by Hongtai Keystone Asset Management Co., Ltd., business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd., and maintenance service of self-service cashier equipment provided by Neural Management of Comprehensive Channels Co., Ltd.

(c) In 2022, Minsheng Financial Leasing recognized RMB271 million fees for ancillary service in asset management provided by Sanya Minsheng Tourism Co. Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

	31 December 2022	31 December 2021
Financial investments		
– Financial assets measured at amortised cost	**2.80%-6.74%**	2.80%-6.74%
– Financial assets at fair value through other comprehensive income	**2.70%-5.30%**	5.25%-5.30%
Long-term receivables	**4.23%-5.50%**	3.62%-6.89%
Deposits and placements from banks and other financial institutions	**0.00%-2.92%**	0.00%-3.28%
Borrowings from banks and other financial institutions	**3.20%**	N/A
Deposits from customers	**0.00%-5.35%**	0.00%-5.35%

Balance of off-balance sheet items:

	31 December 2022		31 December 2021	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	**2,472**	**0.50**	2,252	0.66
Guarantees	**204**	**0.15**	2,289	1.57
Letters of credit	**300**	**0.37**	350	0.45
Unused credit card commitments	**568**	**0.12**	1,150	0.23

Balances of loans guaranteed by related parties:

	31 December 2022	31 December 2021
Loans guaranteed by related parties	**27,331**	30,663
Ratio to similar transactions (%)	**0.67**	0.77

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

For the year ended 31 December 2022, no loan transfer had taken place between Beijing Changrong Heyin Investment Management Co., Ltd. and the Bank. For the year ended 31 December 2021, the original value of loans transferred was RMB421 million, with the consideration of RMB395 million agreed upon by both parties. The risks and rewards of these loans have been fully transferred.

For the year ended 31 December 2022, the value of non-performing financial lease receivables transferred between Minsheng Financial Leasing and Xiamen Wangrun Asset Management Co., Ltd. was RMB94 million, with the consideration of RMB22 million. The risks and rewards of these debts have been fully transferred.

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2022 and 2021.

(6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB2.36 million as at 31 December 2022 (31 December 2021: RMB2.71 million), which have been included in the above loans granted to related parties.

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For the year ended 31 December 2022
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9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(6) Transactions with key management personnel *(continued)*

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB103 million for the year ended 31 December 2022 (2021: RMB128 million). Of which, pre-tax compensations for the Executive Directors, Chairman of the Supervisory Board, Vice Chairman of the Supervisory Board and executive officers included RMB46 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2021: RMB51 million and no less than 50% respectively) in accordance with relevant regulations. The exact amounts of these deferred payments shall be determined at the end of their respective tenure based on their performance. In the case of violations of laws and regulations, non-compliances with rules and requirements, and other actions as a senior officer of the Bank that have exposed the Bank to undue risks, the Bank will, depending on the circumstances, deduct the performance-based remuneration of the person for the corresponding period or up to all the performance-based remuneration for his/her entire term of office, in accordance with the Guidelines for Performance-Based Remuneration Recoupment Mechanisms of Banking and Insurance Institutions (Yin Bao Jian Ban Fa [2021] No. 17) issued by CBIRC as well as relevant rules of the Bank. The Bank subscribed RMB9 million for supplementary pension insurance for the key management personnel in 2022 (2021: RMB10 million). The related salaries and benefits of 2021 were restated in accordance with the Supplement to 2021 Annual Report of China Minsheng Banking Crop., Ltd.

The total 2022 pre-tax compensation for the Bank's executive directors, Chairman of the Board of Supervisors, Vice-Chairman of the Board of Supervisors and senior management is subject to approval by the Compensation and Evaluation Committee of the Board of Directors. Upon approval, the Bank will make separate disclosure. The unaccrued compensation is not expected to have a material impact on the financial statements of the Group and the Bank for the year 2022.

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(7) Transactions between the Bank and its subsidiaries

Balances as at the end of the reporting period:

	31 December 2022	31 December 2021
Placements with banks and other financial institutions	**27,489**	32,340
Loans and advances to customers	**2,412**	1,637
Right-of-use assets	**3**	37
Other assets	**35**	455
Deposits and placements from banks and other financial institutions	**12,110**	7,652
Balances with banks and other financial institutions	**160**	–
Deposits from customers	**522**	652
Leasing liabilities	**3**	37
Other liabilities	**2**	1,985

Amount of transactions for the reporting period:

	Year ended 31 December	
	2022	2021
Interest income	**1,085**	1,076
Interest expense	**110**	103
Fee and commission income	**214**	223
Fee and commission expense	**1,512**	N/A
Operating expenses	**–**	75
Net other operating income	**4**	1

For the year ended 31 December 2022, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 31 December 2022, the balance of the above transactions was RMB174 million (31 December 2021: RMB251 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

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10 Financial risk management

10.1 Financial risk management overview

The financial risks the Group is exposed to mainly include credit risk, market risk, liquidity risk and operational risk etc. Risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

In response to new regulatory requirements and market changes as well as in light of the actual needs and current position, the Group sets its risk preferences, risk management strategies and risk policies, and takes a host of measures to ensure the risk preferences and policies are concretely implemented and complied with and strengthen the role of risk management in support of strategic decision-making, including improving its risk quantification tools and information systems, adopting and continuously improving its end-to-end risk control mechanisms and based on oversight and reviews of actual implementations, re-examining and optimising the risk preference funneling mechanisms, credit policies, limit management, and relevant systems and tools.

The Bank's Risk Management Committee, which operates under the Board of Directors, assists the Board in setting the Bank's risk preferences and risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing their effectiveness. In accordance with the risk preferences and management strategies, the Bank's senior management develops corresponding risk management policies and procedures and drives their implementation.

10.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, problem asset professional management and collecting and other major methods for credit risk management.

After exhausting all necessary measures and implementing necessary procedures, the Group writes off the bad debts as determined in accordance with the criteria set out in the Group's write-off policy. For bad debts that have been written off, the Group continues to make its best effort to recover them.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(1) Credit risk measurement

(a) Loans and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the CBIRC Guidelines for Risk Classification of Loans (the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass:	The borrower can fulfil contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special-mention:	The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.
Sub-standard:	The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.
Doubtful:	The borrower cannot repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.
Loss:	After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

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For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(1) Credit risk measurement *(continued)*

(b) Debt securities and other bills

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimise its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control personnel regularly analyse and continuously monitor the credit positions of issuers of debt securities still held by the Bank, and the operational staff will continue to optimise and adjust the investment portfolio based on the risk-mitigation recommendations.

(2) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on– and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and preventing and controlling customer concentration risks.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(2) Risk limit control and mitigation policies *(continued)*

(a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

– Real estate and land use rights

– Financial instruments such as time deposits, debt securities and equities.

– Trade receivables, rent receivables and various rights to receive payments

– Mining rights and machinery

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collaterals from counterparties/require additional guarantors or squeeze the credit line.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivative instruments

The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The Bank's exposure to credit risk of derivative instruments is limited to derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

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For the year ended 31 December 2022
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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(2) Risk limit control and mitigation policies *(continued)*

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(3) Expected Credit Loss ("ECL") measurement

According to the IFRS 9: Financial Instruments, the Group classifies its financial instruments into three stages for the purpose of ECL measurement and applies the ECL model to calculate credit loss provisions for on-balance sheet financial instruments that are exposed to credit risk and measured either at amortised cost or at fair value through other comprehensive income, such as loans, debt securities, balances with banks and other financial institutions, accounts receivable, lease receivables, and other debt investments, as well as off-balance sheet financial instruments that are exposed to credit risk, such as financial guarantee contracts and loan commitments.

The Group adopts the parameters-based approach and the discounted cash flow ("DCF") method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group regularly reviews and optimizes its expected credit loss model, and makes timely updates to the forward-looking information and relevant parameters in accordance with the requirements of Implementation Rules on Expected Credit Loss Approach of Commercial Banks (CBIRC [2022] No.10) Issued by CBIRC.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(a) Financial instrument risk stages

The Group applies a 'three-stage model' for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.

Stage 3: For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

(b) Criteria for significant increases in credit risk ("SICR")

The Group assesses, at each balance sheet date, whether or not the credit risk of relevant financial instruments has increased significantly since their initial recognition. In order to determine whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and supportable information that is available without undue cost or effort and sets qualitative and quantitative criteria accordingly. The quantitative criteria include days overdue of the principal or interest for more than 30 days, the absolute level or relative change of Probability of Default in excess of the preset thresholds, among others; and the qualitative criteria mainly cover the regulatory and business environments, the borrowers' repayment ability, borrowers' operation capability, borrowers' repayment behaviors, and forward-looking information, among others.

In accordance with relevant regulatory guidelines, the Group has entered into deferred repayment arrangements with some borrowers. However, the Group does not regard such arrangements as an automatic trigger that indicates a significant increase of their credit risk, but makes substantive assessment of the risk positions of these borrowers in light of their operational capability and repayment capability, among other factors.

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For the year ended 31 December 2022
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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(c) Definition of credit-impaired financial asset

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

– The principal or interest of a financial asset is overdue for more than 90 days;

– Significant financial difficulty of the issuer or obligor;

– A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

– The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;

– The debtor will probably enter bankruptcy or another financial reorganisation;

– The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;

– The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;

– Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(d) Grouping of risk exposures

For the purpose of expected credit loss measurement, the Group classifies exposures with similar credit risk characteristics into groups. The Group groups corporate financial assets mainly according to the borrower types and the industry in which they operate, and retail assets mainly according to product types, and the Group reviews the appropriates of its risk grouping and makes corrections to the grouping results on an annual basis.

(e) Parameters for ECL measurement

Except for credit-impaired financial assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument according to whether there is a significant increase in credit risk. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

– PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;

– LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;

– EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet credit risk conversion factor etc., and may vary by product types.

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the quarterly year-on-year (Y/Y) growth rates of Gross Domestic Product (GDP) and Broad Money Supply (M2), and quarterly cumulative year-on-year (Y/Y) growth rates of Consumer Price Index (CPI). The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indicators for ECL calculation.

As at 31 December 2022, the Group has considered different macroeconomic scenarios, and the main economic indicators with predicted ranges in estimating ECL are set out as below:

Variables	Range
Quarterly Y/Y growth rate of GDP	4.1%~8.6%
Quarterly Y/Y growth rate of M2	8.4%~9.5%
Quarterly cumulative Y/Y growth rate of CPI	2.0%~4.2%

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

The Group combines macro-economic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. As at 31 December 2022 and 31 December 2021, the positive, neutral and negative scenarios had similar weightings.

(g) Cash flow forecasts for Stage 3 corporate financial assets

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets. The DCF method estimates the expected credit losses based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(4) Maximum credit risk exposure

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	31 December 2022	31 December 2021
Balances with central bank	**331,569**	356,010
Balances with banks and other financial institutions	**88,705**	92,546
Derivative financial assets	**33,878**	27,461
Placements with banks and other financial institutions	**182,434**	158,768
Financial assets held under resale agreements	**3,010**	1,362
Loans and advances to customers	**4,072,982**	3,967,679
Financial investments		
– Financial assets at fair value through profit or loss	**128,005**	82,394
– Financial assets at fair value through other comprehensive income	**462,619**	427,204
– Financial assets measured at amortised cost	**1,363,589**	1,298,220
Long-term receivables	**111,456**	122,716
Other financial assets	**30,153**	36,209
Total	**6,808,400**	6,570,569
Off-balance sheet credit commitments	**1,263,888**	1,080,604
Maximum credit risk exposure	**8,072,288**	7,651,173

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For the year ended 31 December 2022
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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(5) Analysis on the credit quality of financial instruments

(a) As at 31 December 2022, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	331,569	–	–	331,569	–	–	–	–
Balances with banks and other financial institutions	88,713	–	–	88,713	(8)	–	–	(8)
Placements with banks and other financial institutions	182,352	–	1,944	184,296	(585)	–	(1,277)	(1,862)
Financial assets held under resale agreements	2,574	–	464	3,038	–	–	(28)	(28)
Loans and advances to customers								
– Corporate loans and advances	2,204,472	166,252	53,028	2,423,752	(15,327)	(21,983)	(24,513)	(61,823)
– Personal loans and advances	1,669,611	51,147	26,111	1,746,869	(8,413)	(11,629)	(17,003)	(37,045)
Financial investments	1,789,042	12,793	35,665	1,837,500	(2,249)	(939)	(9,925)	(13,113)
Long-term receivables	94,754	13,270	6,913	114,937	(642)	(862)	(1,977)	(3,481)
Off-balance sheet credit commitments	1,261,248	2,525	115	1,263,888	(1,424)	(344)	(76)	(1,844)

(b) As at 31 December 2021, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	356,010	–	–	356,010	–	–	–	–
Balances with banks and other financial institutions	92,554	–	–	92,554	(8)	–	–	(8)
Placements with banks and other financial institutions	158,413	–	1,944	160,357	(411)	–	(1,178)	(1,589)
Financial assets held under resale agreements	841	–	541	1,382	–	–	(20)	(20)
Loans and advances to customers								
– Corporate loans and advances	2,134,955	138,247	51,658	2,324,860	(12,945)	(25,072)	(28,004)	(66,021)
– Personal loans and advances	1,669,322	48,632	28,671	1,746,625	(7,538)	(12,108)	(19,441)	(39,087)
Financial investments	1,682,275	13,717	44,058	1,740,050	(2,465)	(580)	(14,154)	(17,199)
Long-term receivables	107,739	13,152	5,988	126,879	(1,503)	(1,250)	(1,410)	(4,163)
Off-balance sheet credit commitments	1,076,774	3,571	259	1,080,604	(1,227)	(524)	(83)	(1,834)

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(6) Loans and advances to customers

(a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	31 December 2022	31 December 2021
Stage 1		
Unsecured loans	1,087,615	965,895
Guaranteed loans	623,229	607,704
Loans secured by		
Tangible assets other than monetary assets	1,591,434	1,616,454
Monetary assets	542,328	588,431
Subtotal	3,844,606	3,778,484
Stage 2		
Unsecured loans	27,297	26,574
Guaranteed loans	31,630	43,259
Loans secured by		
Tangible assets other than monetary assets	122,535	86,316
Monetary assets	35,937	30,730
Subtotal	217,399	186,879
Stage 3		
Unsecured loans	15,884	17,840
Guaranteed loans	16,578	19,784
Loans secured by		
Tangible assets other than monetary assets	36,298	36,587
Monetary assets	10,379	6,118
Subtotal	79,139	80,329
Total	4,141,144	4,045,692
Credit-impaired loans secured by collateral	21,411	19,203

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

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

(b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	31 December 2022		31 December 2021	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	523,343	12.64	514,854	12.73
Manufacturing	396,308	9.57	348,542	8.62
Real estate	363,344	8.77	360,302	8.91
Wholesale and retail	263,607	6.37	259,230	6.41
Water, environment and public utilities management	167,684	4.05	160,746	3.97
Transportation, storage and postal services	154,492	3.73	127,181	3.14
Financial services	115,764	2.79	117,470	2.90
Construction	109,689	2.65	112,875	2.79
Production and supply of electric power, heat, gas and water	103,403	2.50	86,436	2.14
Mining	72,705	1.76	88,396	2.18
Information transmission, software and IT services	41,727	1.01	44,566	1.10
Agriculture, forestry, animal husbandry and fishery	20,420	0.49	20,221	0.50
Accommodation and catering	17,578	0.42	13,891	0.34
Others	49,212	1.19	49,651	1.23
Subtotal	2,399,276	57.94	2,304,361	56.96
Personal loans and advances	1,741,868	42.06	1,741,331	43.04
Total	4,141,144	100.00	4,045,692	100.00

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

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

(c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	31 December 2022		31 December 2021	
	Amount	**(%)**	Amount	(%)
Head Office	**488,895**	**11.81**	506,340	12.52
Yangtze River Delta	**1,045,578**	**25.25**	1,004,449	24.83
Bohai Rim	**644,316**	**15.56**	630,297	15.58
Western Region	**630,687**	**15.23**	616,229	15.23
Pearl River Delta	**630,013**	**15.21**	586,214	14.49
Central Region	**497,398**	**12.01**	508,645	12.57
Northeastern Region	**97,380**	**2.35**	97,272	2.40
Overseas and subsidiaries	**106,877**	**2.58**	96,246	2.38
Total	**4,141,144**	**100.00**	4,045,692	100.00

(7) Loans and advances restructured

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. As at 31 December 2022, the amount of the Group's impaired restructured loans and advances to customers with modified contract terms, is RMB13,554 million (31 December 2021: RMB17,743 million).

Impaired restructured loans and advances which were not past due or past due for no more than 90 days are as follows:

	31 December 2022	31 December 2021
Loans and advances to customers	**3,659**	5,753
Ratio of total loans and advances to customers(%)	**0.09**	0.14

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(8) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	31 December 2022					
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	30,823	–	–	–	–	30,823
– Corporates	2,416	–	13	–	616	3,045
Gross balance	33,239	–	13	–	616	33,868
Interest accrued						1,797
Less: Allowance for impairment losses of financial assets measured at amortised cost						(8,867)
Subtotal						26,798
Not impaired						
– Government	806,557	324,153	–	1,108	–	1,131,818
– Policy banks	105,141	–	–	991	–	106,132
– Banks and non-bank financial institutions	79,905	127,057	2,054	24,344	19,689	253,049
– Corporates	128,461	225,807	32,025	11,749	19,626	417,668
Gross balance	1,120,064	677,017	34,079	38,192	39,315	1,908,667
Interest accrued						21,173
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,425)
Subtotal						1,927,415
Total						1,954,213

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(8) Distribution of debt instruments analysed by issuers and rating *(continued)*

	31 December 2021					
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	41,162	–	–	–	–	41,162
– Corporates	1,117	–	–	–	190	1,307
Gross balance	42,279	–	–	–	190	42,469
Interest accrued						1,589
Less: Allowance for impairment losses of financial assets measured at amortised cost						(12,321)
Subtotal						31,737
Not impaired						
– Government	700,313	303,090	–	–	–	1,003,403
– Policy banks	112,058	–	–	1,038	–	113,096
– Banks and non-bank financial institutions	85,489	118,466	2,842	20,662	16,957	244,416
– Corporates	108,922	221,828	40,158	6,714	19,867	397,489
Gross balance	1,006,782	643,384	43,000	28,414	36,824	1,758,404
Interest accrued						19,982
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,305)
Subtotal						1,776,081
Total						1,807,818

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates, bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(9) Investments classified as trust and asset management plans analysed by type of underlying assets

	31 December 2022	31 December 2021
Trust and asset management plans		
Credit assets	**43,061**	76,724
Bonds and others	**14,185**	12,860
Total	**57,246**	89,584

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest are mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

	31 December 2022				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	296,558	41,538	292	164	338,552
Balances with banks and other financial institutions	61,541	20,898	3,388	2,878	88,705
Placements with banks and other financial institutions	166,669	11,307	1,975	2,483	182,434
Financial assets held under resale agreements	3,010	–	–	–	3,010
Loans and advances to customers	3,875,087	137,271	34,039	26,585	4,072,982
Financial investments	2,080,228	128,989	3,340	13,313	2,225,870
Long-term receivables	92,706	18,750	–	–	111,456
Other assets	157,821	44,088	5,608	25,147	232,664
Total assets	6,733,620	402,841	48,642	70,570	7,255,673
Liabilities:					
Borrowings from central bank	144,801	–	–	–	144,801
Deposits and placements from banks and other financial institutions	1,374,617	82,331	9,793	12,300	1,479,041
Borrowings from banks and other financial institutions	67,198	34,970	3,061	–	105,229
Financial assets sold under repurchase agreements	85,116	19,024	–	–	104,140
Deposits from customers	3,853,834	150,470	13,293	33,995	4,051,592
Debt securities issued	640,399	7,708	–	–	648,107
Lease liabilities	9,269	–	157	–	9,426
Other liabilities	86,121	12,429	1,937	36	100,523
Total liabilities	6,261,355	306,932	28,241	46,331	6,642,859
Net position	472,265	95,909	20,401	24,239	612,814
Foreign currency derivatives	58,646	(35,918)	(17,236)	(3,157)	2,335
Off-balance sheet credit commitments	1,214,705	44,030	1,672	3,481	1,263,888

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

	31 December 2021				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	310,899	48,904	1,324	175	361,302
Balances with banks and other financial institutions	26,089	56,177	7,813	2,467	92,546
Placements with banks and other financial institutions	142,786	12,271	3,711	–	158,768
Financial assets held under resale agreements	733	629	–	–	1,362
Loans and advances to customers	3,788,631	121,968	28,415	28,665	3,967,679
Financial investments	1,912,327	104,533	5,049	12,524	2,034,433
Long-term receivables	101,567	21,149	–	–	122,716
Other assets	161,552	35,333	3,877	13,218	213,980
Total assets	6,444,584	400,964	50,189	57,049	6,952,786
Liabilities:					
Borrowings from central bank	279,787	–	–	–	279,787
Deposits and placements from banks and other financial institutions	1,222,667	57,097	12,135	2,459	1,294,358
Borrowings from banks and other financial institutions	71,742	40,614	2,105	–	114,461
Financial assets sold under repurchase agreements	27,662	8,823	–	–	36,485
Deposits from customers	3,556,164	231,863	27,243	10,423	3,825,693
Debt securities issued	701,140	9,884	–	–	711,024
Lease liabilities	9,992	–	233	–	10,225
Other liabilities	84,866	8,798	371	179	94,214
Total liabilities	5,954,020	357,079	42,087	13,061	6,366,247
Net position	490,564	43,885	8,102	43,988	586,539
Foreign currency derivatives	47,132	(14,563)	(3,560)	(27,754)	1,255
Off-balance sheet credit commitments	1,041,786	29,352	4,319	5,147	1,080,604

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 31 December 2022, assuming other variables remain unchanged, an appreciation of one hundred basis points of the US dollar against the RMB would increase both the Group's net profit and equity by RMB1,054 million (31 December 2021: increase by RMB720 million); a depreciation of 100 basis points of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB1,054 million (31 December 2021: decrease by RMB720 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by 100 basis points against the RMB's average rate on the reporting date;

b. The fluctuation of exchange rates by 100 basis points is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;

c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;

d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;

e. Other variables (including interest rates) remained unchanged; and

f. The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

The Group's is affected by the interest rate benchmark reform mainly in business activities, including loans and advances to customers, deposits from customers, debt investments and derivatives etc., that are linked to the London Interbank Offered Rates (LIBOR). The Group pays high attention to the LIBOR reform, and moving forward with updating the product contract wording, system building and customer communication in a well-planned and disciplined manner. Based on its assessment, the Group believes that the LIBOR reform has no significant impact on the Group's financial position and operating results.

(a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs proper scenario analyses, and adjusts interest rates of deposits and loans in both RMB and foreign currencies to manage interest rate risk.

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

	31 December 2022					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with central bank	331,432	–	–	–	7,120	338,552
Balances with banks and other financial institutions	84,762	3,857	–	–	86	88,705
Placements with banks and other financial institutions	53,394	128,685	–	–	355	182,434
Financial assets held under resale agreements	2,985	–	–	–	25	3,010
Loans and advances to customers	1,586,335	1,751,652	490,349	215,169	29,477	4,072,982
Financial investments	69,514	568,216	901,670	389,955	296,515	2,225,870
Long-term receivables	28,669	43,412	34,429	4,946	–	111,456
Other assets	779	165	41	–	231,679	232,664
Total assets	2,157,870	2,495,987	1,426,489	610,070	565,257	7,255,673
Liabilities:						
Borrowings from central bank	40,201	102,847	–	–	1,753	144,801
Deposits and placements from banks and other financial institutions	906,511	566,149	–	–	6,381	1,479,041
Borrowings from banks and other financial institutions	53,861	37,175	12,703	917	573	105,229
Financial assets sold under repurchase agreements	78,930	24,740	110	–	360	104,140
Deposits from customers	2,408,295	742,430	842,802	–	58,065	4,051,592
Debt securities issued	245,955	228,589	79,994	89,991	3,578	648,107
Lease liabilities	789	2,026	5,440	1,171	–	9,426
Other liabilities	–	4,679	–	–	95,844	100,523
Total liabilities	3,734,542	1,708,635	941,049	92,079	166,554	6,642,859
Interest rate gap	(1,576,672)	787,352	485,440	517,991	398,703	612,814

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

	31 December 2021					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with central bank	355,877	–	–	–	5,425	361,302
Balances with banks and other financial institutions	90,066	2,417	–	–	63	92,546
Placements with banks and other financial institutions	58,681	93,899	5,948	–	240	158,768
Financial assets held under resale agreements	1,344	–	–	–	18	1,362
Loans and advances to customers	1,548,288	1,568,245	578,391	246,962	25,793	3,967,679
Financial investments	118,750	237,628	1,078,166	345,170	254,719	2,034,433
Long-term receivables	41,894	52,229	23,170	5,423	–	122,716
Other assets	–	1,025	59	1,128	211,768	213,980
Total assets	2,214,900	1,955,443	1,685,734	598,683	498,026	6,952,786
Liabilities:						
Borrowings from central bank	53,149	223,266	–	–	3,372	279,787
Deposits and placements from banks and other financial institutions	770,316	516,765	–	–	7,277	1,294,358
Borrowings from banks and other financial institutions	53,719	51,883	7,235	875	749	114,461
Financial assets sold under repurchase agreements	17,976	18,134	255	–	120	36,485
Deposits from customers	2,271,004	845,051	659,706	–	49,932	3,825,693
Debt securities issued	194,356	313,363	79,998	119,967	3,340	711,024
Lease liabilities	813	2,180	5,905	1,327	–	10,225
Other liabilities	632	6,410	–	–	87,172	94,214
Total liabilities	3,361,965	1,977,052	753,099	122,169	151,962	6,366,247
Interest rate gap	(1,147,065)	(21,609)	932,635	476,514	346,064	586,539

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

If yield curves for respective currencies move in parallel for 100 basis points on 1 January, their potential impact on the Group's net interest income and shareholders' equity for the following year is as follows:

	31 December 2022 (Loss)/Gain	31 December 2021 (Loss)/Gain
Up 100 bps parallel shift in yield curves	**(8,132)**	(7,589)
Down 100 bps parallel shift in yield curves	**8,132**	7,589

In performing the interest rate sensitivity analysis, the Group and the Bank has made general assumptions in defining business terms and financial parameters, but have not considered the following:

a. business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;

b. the impact of interest rate fluctuations on customers' behaviour;

c. the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;

d. the impact of interest rate fluctuations on market prices;

e. the impact of interest rate fluctuations on off-balance sheet products;

f. the impact of interest rate fluctuations on fair value of financial instruments;

g. other variables (including foreign exchange rate); and

h. other risk management measures in the Group.

10 Financial risk management *(continued)*

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

During the reporting period, the Bank was required to maintain 7.5% of the total RMB denominated deposits and 6% of the total foreign currency denominated balances as statutory reserves with the PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(1) Liquidity risk management policy *(continued)*

To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;

To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios, net stable funding ratios and liquidity matching rate;

To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;

To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

(2) Maturity analysis

The following tables present the maturity analysis of assets and liabilities of the Group as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables and placements with banks and other financial institutions refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis *(continued)*

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	312,268	26,284	–	–	–	–	–	338,552
Balances with banks and other financial institutions	–	80,919	1,279	2,629	3,878	–	–	88,705
Placements with banks and other financial institutions	669	–	18,657	34,219	128,889	–	–	182,434
Financial assets held under resale agreements	459	–	2,551	–	–	–	–	3,010
Loans and advances to customers	48,651	8,812	369,624	275,822	1,250,221	1,052,778	1,067,074	4,072,982
Financial investments	289,432	–	52,147	86,791	447,722	954,406	395,372	2,225,870
Long-term receivables	5,613	1,112	5,332	6,781	35,159	52,490	4,969	111,456
Other assets	174,042	3,465	9,206	15,548	19,644	7,815	2,944	232,664
Total assets	831,134	120,592	458,796	421,790	1,885,513	2,067,489	1,470,359	7,255,673

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis *(continued)*

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	–	–	10,334	30,875	103,592	–	–	144,801
Deposits and placements from banks and other financial institutions	–	454,718	194,279	262,911	567,133	–	–	1,479,041
Borrowings from banks and other financial institutions	–	–	19,475	19,687	41,573	21,716	2,778	105,229
Financial assets sold under repurchase agreements	–	–	48,707	30,452	24,870	111	–	104,140
Deposits from customers	–	1,970,754	166,306	306,641	753,044	854,847	–	4,051,592
Debt securities issued	–	–	15,049	232,495	230,578	79,994	89,991	648,107
Lease liabilities	–	–	302	487	2,026	5,440	1,171	9,426
Other liabilities	5,226	345	13,607	25,777	41,601	13,272	695	100,523
Total liabilities	5,226	2,425,817	468,059	909,325	1,764,417	975,380	94,635	6,642,859
Net position	825,908	(2,305,225)	(9,263)	(487,535)	121,096	1,092,109	1,375,724	612,814
Notional amount of derivatives	–	–	606,557	762,778	1,610,652	825,589	6,235	3,811,811

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis *(continued)*

	31 December 2021							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	314,917	46,385	–	–	–	–	–	361,302
Balances with banks and other financial institutions	–	87,246	1,399	1,462	2,439	–	–	92,546
Placements with banks and other financial institutions	770	–	21,416	36,343	94,286	5,953	–	158,768
Financial assets held under resale agreements	521	–	329	512	–	–	–	1,362
Loans and advances to customers	42,852	7,802	362,467	240,933	1,238,033	1,055,910	1,019,682	3,967,679
Financial investments	260,491	277	28,616	34,230	248,031	1,105,872	356,916	2,034,433
Long-term receivables	6,086	2,421	6,239	9,560	40,954	51,518	5,938	122,716
Other assets	154,744	10,476	10,986	9,529	19,852	7,747	646	213,980
Total assets	780,381	154,607	431,452	332,569	1,643,595	2,227,000	1,383,182	6,952,786

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis *(continued)*

	31 December 2021							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Liabilities:								
Borrowings from central bank	–	–	19,362	34,468	225,957	–	–	279,787
Deposits and placements from banks and other financial institutions	–	347,893	170,785	242,081	533,599	–	–	1,294,358
Borrowings from banks and other financial institutions	–	–	19,488	23,298	54,132	14,198	3,345	114,461
Financial assets sold under repurchase agreements	–	–	10,449	7,608	18,172	256	–	36,485
Deposits from customers	–	1,529,820	544,182	227,920	855,868	667,903	–	3,825,693
Debt securities issued	–	–	46,672	140,401	316,980	87,004	119,967	711,024
Lease liabilities	–	–	316	497	2,180	5,905	1,327	10,225
Other liabilities	5,619	7,347	13,740	20,294	32,812	13,701	701	94,214
Total liabilities	5,619	1,885,060	824,994	696,567	2,039,700	788,967	125,340	6,366,247
Net position	774,762	(1,730,453)	(393,542)	(363,998)	(396,105)	1,438,033	1,257,842	586,539
Notional amount of derivatives	–	–	661,623	788,825	1,803,522	834,787	11,239	4,099,996

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables and placements with banks and other financial institutions refers to amounts of such assets that have become impaired or overdue for more than 1 month, and also equity investments and fund investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than 1 month.

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities *(continued)*

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Assets:								
Cash and balances with central bank	312,268	26,284	–	–	–	–	–	338,552
Balances with banks and other financial institutions	–	80,922	1,280	2,640	3,913	–	–	88,755
Placements with banks and other financial institutions	1,946	–	19,323	35,239	130,545	–	–	187,053
Financial assets held under resale agreements	464	–	2,565	–	–	–	–	3,029
Loans and advances to customers	90,890	10,803	383,975	303,587	1,358,172	1,302,221	1,483,538	4,933,186
Financial investments	290,165	–	51,415	85,583	445,120	949,165	392,826	2,214,274
Long-term receivables	8,889	1,227	5,639	7,402	38,875	61,325	6,668	130,025
Other assets	175,556	3,464	3,165	4,041	7,546	4,727	5,432	203,931
Total assets (expected maturity date)	880,178	122,700	467,362	438,492	1,984,171	2,317,438	1,888,464	8,098,805

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities *(continued)*

	31 December 2022							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Liabilities:								
Borrowings from central bank	–	–	10,345	30,995	105,617	–	–	146,957
Deposits and placements from banks and other financial institutions	–	454,718	194,364	263,362	569,656	–	–	1,482,100
Borrowings from banks and other financial institutions	–	–	19,527	20,124	43,085	23,489	3,140	109,365
Financial assets sold under repurchase agreements	–	–	48,729	30,583	25,613	116	–	105,041
Deposits from customers	–	1,970,754	168,228	318,342	754,766	944,257	–	4,156,347
Debt securities issued	–	–	15,576	233,460	235,217	99,535	95,542	679,330
Lease liabilities	–	–	330	533	2,216	5,951	1,281	10,311
Other liabilities	5,226	345	7,763	21,811	26,432	11,712	675	73,964
Total liabilities (contractual maturity date)	5,226	2,425,817	464,862	919,210	1,762,602	1,085,060	100,638	6,763,415

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities *(continued)*

	31 December 2021							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Assets:								
Cash and balances with central bank	314,917	46,385	–	–	–	–	–	361,302
Balances with banks and other financial institutions	–	87,246	1,399	1,467	2,474	–	–	92,586
Placements with banks and other financial institutions	1,947	–	21,848	36,943	94,462	5,958	–	161,158
Financial assets held under resale agreements	541	–	329	512	–	–	–	1,382
Loans and advances to customers	91,557	9,799	376,681	267,625	1,341,872	1,302,898	1,412,295	4,802,727
Financial investments	269,160	300	32,520	37,375	279,061	1,267,864	412,128	2,298,408
Long-term receivables	8,297	2,669	6,724	10,404	44,998	61,009	8,282	142,383
Other assets	156,370	10,503	6,030	2,410	6,628	6,034	3,116	191,091
Total assets (expected maturity date)	842,789	156,902	445,531	356,736	1,769,495	2,643,763	1,835,821	8,051,037

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities *(continued)*

	31 December 2021							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Liabilities:								
Borrowings from central bank	–	–	19,374	34,625	230,521	–	–	284,520
Deposits and placements from banks and other financial institutions	–	347,893	170,840	242,514	540,827	–	–	1,302,074
Borrowings from banks and other financial institutions	–	–	19,505	23,697	55,132	15,232	3,506	117,072
Financial assets sold under repurchase agreements	–	–	10,456	7,634	18,273	261	–	36,624
Deposits from customers	–	1,529,820	546,357	233,339	892,455	752,833	–	3,954,804
Debt securities issued	–	–	46,740	141,429	326,797	111,532	134,286	760,784
Lease liabilities	–	–	347	547	2,397	6,494	1,459	11,244
Other liabilities	5,619	7,347	7,618	13,344	21,148	12,602	422	68,100
Total liabilities (contractual maturity date)	5,619	1,885,060	821,237	697,129	2,087,550	898,954	139,673	6,535,222

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(4) Analysis on contractual undiscounted cash flows of derivatives

(a) Derivatives settled on a net basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Interest rate derivatives	Interest rate swaps
Credit derivatives	Credit default swaps

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

	31 December 2022					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives	(129)	230	1,993	(2)	–	2,092
Interest rate derivatives	(30)	(36)	(101)	(85)	20	(232)
Credit derivatives	1	–	–	29	–	30
Total	(158)	194	1,892	(58)	20	1,890

	31 December 2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(26)	(17)	(241)	(376)	(6)	(666)
Credit derivatives	–	–	(2)	(17)	–	(19)
Total	(26)	(17)	(243)	(393)	(6)	(685)

(b) Derivatives settled on a gross basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards, swaps

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(4) Analysis on contractual undiscounted cash flows of derivatives *(continued)*

(b) Derivatives settled on a gross basis *(continued)*

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

	31 December 2022					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(94,432)	(120,764)	(138,759)	(129,570)	–	(483,525)
– Cash inflow	93,639	121,567	139,889	128,673	–	483,768
Precious metal derivatives						
– Cash outflow	(12,435)	(37,107)	(27,773)	–	–	(77,315)
– Cash inflow	12,611	35,468	26,003	–	–	74,082
Total cash outflow	(106,867)	(157,871)	(166,532)	(129,570)	–	(560,840)
Total cash inflow	106,250	157,035	165,892	128,673	–	557,850

	31 December 2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(590,359)	(663,552)	(1,328,892)	(65,808)	–	(2,648,611)
– Cash inflow	590,397	660,015	1,333,168	66,286	–	2,649,866
Precious metal derivatives						
– Cash outflow	(16,543)	(12,513)	(31,593)	–	–	(60,649)
– Cash inflow	16,801	12,566	30,914	–	–	60,281
Total cash outflow	(606,902)	(676,065)	(1,360,485)	(65,808)	–	(2,709,260)
Total cash inflow	607,198	672,581	1,364,082	66,286	–	2,710,147

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	31 December 2022			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Bank acceptances	**495,920**	**–**	**–**	**495,920**
Letters of credit	**81,938**	**237**	**–**	**82,175**
Guarantees	**94,865**	**37,652**	**1,878**	**134,395**
Unused credit card commitments	**489,137**	**–**	**–**	**489,137**
Irrevocable credit commitments	**45,147**	**16,351**	**763**	**62,261**
Total	**1,207,007**	**54,240**	**2,641**	**1,263,888**

	31 December 2021			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	340,726	–	–	340,726
Letters of credit	77,103	279	–	77,382
Guarantees	92,490	51,526	2,060	146,076
Unused credit card commitments	491,370	–	–	491,370
Irrevocable credit commitments	18,428	6,351	271	25,050
Total	1,020,117	58,156	2,331	1,080,604

10.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

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10 Financial risk management *(continued)*

10.5 Operational risk *(continued)*

The Bank continues to strengthen its operational risk management, including enhancing the risk identification matrices and evaluation models, deepening information sharing and data-driven practices, and expanding its efforts to effectively cover all important business lines and management activities. As part of its efforts to improve its business continuity planning, response and recovery capabilities, the Bank conducts comprehensive business impact analyses and updates its emergency response plans regularly to step up emergency early warning, response, resolution and evaluation. In line with compliance requirements as well as cost-effective and prudential principles, the Bank also takes actions to improve the discipline and compliance in its outsourcing activities and service provider management, including regular in-process inspections and assessments of outsourcing activities, as well as selected on-site inspections of key institutions.

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of polices to accrue country risk reserve.

10 Financial risk management *(continued)*

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2013, the Group computes the capital adequacy ratios in accordance with The Capital Rules for Commercial Banks (Provisional) and other relevant regulations issued by the CBIRC. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 of The Capital Rules for Commercial Banks (Provisional), and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios in accordance with The Capital Rules for Commercial Banks (Provisional). For the Group, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

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10 Financial risk management *(continued)*

10.7 Capital management *(continued)*

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with The Capital Rules for Commercial Banks (Provisional) and relevant requirements promulgated by the CBIRC as below:

	31 December 2022	31 December 2021
Core tier-one capital adequacy ratio	**9.17%**	9.04%
Tier-one capital adequacy ratio	**10.91%**	10.73%
Capital adequacy ratio	**13.14%**	13.64%
Components of capital base		
Core tier-one capital:		
Share capital	**43,782**	43,782
Valid portion of capital reserve	**58,149**	58,149
Surplus reserve	**55,276**	51,843
General reserve	**90,494**	87,013
Retained earnings	**257,877**	243,144
Valid portion of non-controlling interests	**7,943**	7,070
Others	**(612)**	385
Core tier-one capital	**512,909**	491,386
Core tier-one capital deductions	**(6,931)**	(4,834)
Net core tier-one capital	**505,978**	486,552
Net other tier-one capital	**96,021**	90,527
Net tier-one capital	**601,999**	577,079
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	**89,991**	119,967
Surplus provision for loan impairment	**31,028**	34,772
Valid portion of non-controlling interests	**2,118**	1,885
Net tier-two capital	**123,137**	156,624
Net capital base	**725,136**	733,703

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.7 Capital management *(continued)*

	31 December 2022	31 December 2021
Credit risk-weighted assets	**5,144,232**	4,981,119
Market risk-weighted assets	**72,760**	71,775
Operational risk-weighted assets	**300,297**	326,564
Total risk-weighted assets	**5,517,289**	5,379,458

11 Fair value of financial instruments

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities 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 Trust & Clearing Co., Ltd., which are determined based on the valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like China Bond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Wind, Bloomberg and Reuters.

Level 3: Parameters for valuation of assets or liabilities are based on unobservable inputs. The Level 3 financial instruments include equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs. The valuation models used include the discounted cash flow method and the market approach, etc. Unobservable inputs for valuation models include yield curve, discounts for lack of marketability (DLOM) and comparable company multiples, etc.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value

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

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	110,412	2,229	112,641
Equity investments	1,047	1,698	18,682	21,427
Investment funds	220,666	12,311	2,475	235,452
Trust and asset management plans	–	9,412	4,773	14,185
Others	4,186	–	1,179	5,365
Financial assets at fair value through other comprehensive income				
Debt securities	–	461,778	841	462,619
Equity investments	–	5,331	5,261	10,592
Loans and advances to customers designated at fair value through other comprehensive income	–	254,775	–	254,775
Derivative financial assets				
Foreign exchange derivatives	–	29,129	–	29,129
Interest rate derivatives	–	2,889	–	2,889
Precious metal derivatives	–	1,836	–	1,836
Others	–	24	–	24
Total	225,899	889,595	35,440	1,150,934
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(26,883)	–	(26,883)
Interest rate derivatives	–	(589)	–	(589)
Precious metal derivatives	–	(5,186)	–	(5,186)
Others	–	(17)	–	(17)
Financial liabilities at fair value through profit or loss	–	(1,645)	(270)	(1,915)
Total	–	(34,320)	(270)	(34,590)

(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	66,108	2,335	68,443
Equity investments	2,071	2,085	23,123	27,279
Investment funds	170,646	19,836	529	191,011
Trust and asset management plans	–	8,738	4,122	12,860
Others	–	–	1,091	1,091
Financial assets at fair value through other comprehensive income				
Debt securities	–	426,582	622	427,204
Equity investments	–	5,700	2,625	8,325
Loans and advances to customers designated at fair value through other comprehensive income	–	286,451	–	286,451
Derivative financial assets				
Foreign exchange derivatives	–	24,790	–	24,790
Interest rate derivatives	–	1,047	–	1,047
Precious metal derivatives	–	1,521	–	1,521
Others	–	103	–	103
Total	172,717	842,961	34,447	1,050,125
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(21,468)	–	(21,468)
Interest rate derivatives	–	(903)	–	(903)
Precious metal derivatives	–	(3,641)	–	(3,641)
Others	–	(102)	–	(102)
Financial liabilities at fair value through profit or loss	–	(2,856)	–	(2,856)
Total	–	(28,970)	–	(28,970)

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

For equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of Level 3 financial instruments during the year:

	Year ended 31 December 2022					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total	Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities			
As at 1 January 2022	31,200	622	2,625	34,447	–	–
Total gains/(losses)						
In profit or loss	(5,262)	(191)	–	(5,453)	–	–
In other comprehensive income	–	(74)	2,636	2,562	–	–
Purchase/transfer in	4,637	828	–	5,465	270	270
Settlement/transfer out	(1,237)	(344)	–	(1,581)	–	–
As at 31 December 2022	29,338	841	5,261	35,440	270	270
Total realised gains/(losses) included in the consolidated statement of profit or loss	70	(135)	–	(65)	–	–
Total unrealised losses included in the consolidated statement of profit or loss	(5,332)	(56)	–	(5,388)	–	–

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11 Fair value of financial instruments *(continued)*

11.2 Movement in level 3 financial instruments measured at fair value *(continued)*

	Year ended 31 December 2021			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total
		Debt securities	Equity securities	
As at 1 January 2021	38,299	1,150	1,625	41,074
Total gains/(losses)				
In profit or loss	(2,653)	102	–	(2,551)
In other comprehensive income	–	(382)	–	(382)
Purchase/transfer in	13,128	617	1,000	14,745
Settlement/transfer out	(17,574)	(865)	–	(18,439)
As at 31 December 2021	31,200	622	2,625	34,447
Total realised (losses)/gains included in the consolidated statement of profit or loss	(977)	102	–	(875)
Total unrealised losses included in the consolidated statement of profit or loss	(1,676)	–	–	(1,676)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments *(continued)*

11.3 Fair value of financial assets and liabilities not carried at fair value

(1) Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, central bank deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

(2) Financial investments measured at amortised cost

The fair value for financial assets measured at amortised cost-bonds is usually measured based on "bid" market prices or brokers'/dealers' quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, materiality and yield.

(3) Debt securities issued

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

(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments *(continued)*

11.3 Fair value of financial assets and liabilities not carried at fair value *(continued)*

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

	31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	**1,363,589**	**1,368,109**	**–**	**1,308,374**	**59,735**
Financial liabilities					
Debt securities issued	**648,107**	**645,077**	**–**	**645,077**	**–**

	31 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,298,220	1,358,398	–	1,264,052	94,346
Financial liabilities					
Debt securities issued	711,024	711,896	9,240	701,732	924

12 Subsequent events

Up to the approval date of the consolidated financial statements, the Group had no material subsequent events for disclosure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

13 Comparative figures

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

14 Statement of financial position and Statement of changes in equity of the Bank

	31 December 2022	31 December 2021
ASSETS		
Cash and balances with central bank	**335,491**	357,855
Balances with banks and other financial institutions	**69,476**	72,964
Precious metals	**25,167**	13,189
Placements with banks and other financial institutions	**209,923**	191,108
Derivative financial assets	**33,711**	27,461
Financial assets held under resale agreements	**2,551**	823
Loans and advances to customers	**4,051,123**	3,945,707
Financial investments:	**2,199,557**	2,009,836
– Financial assets at fair value through profit or loss	**380,523**	294,753
– Financial assets at fair value through other comprehensive income	**456,358**	418,670
– Financial assets measured at amortised cost	**1,362,676**	1,296,413
Property and equipment	**25,442**	24,554
Right-of-use assets	**12,150**	13,137
Deferred income tax assets	**53,037**	48,983
Investment in subsidiaries	**13,381**	8,381
Other assets	**30,604**	40,869
Total assets	**7,061,613**	6,754,867

(Expressed in millions of Renminbi, unless otherwise stated)

14 Statement of financial position and Statement of changes in equity of the Bank *(continued)*

	31 December 2022	31 December 2021
LIABILITIES		
Borrowings from central bank	144,357	278,835
Deposits and placements from banks and other financial institutions	1,478,545	1,292,062
Financial liabilities at fair value through profit or loss	1,645	2,856
Derivative financial liabilities	32,675	26,018
Financial assets sold under repurchase agreements	92,095	26,624
Deposits from customers	4,016,971	3,797,630
Lease liabilities	9,148	10,011
Provisions	2,455	2,250
Debt securities issued	648,107	710,092
Current income tax liabilities	4,308	8,135
Other liabilities	41,827	35,643
Total liabilities	6,472,133	6,190,156
EQUITY		
Share capital	43,782	43,782
Other equity instrument	94,962	89,964
Including: Preference shares	19,975	19,975
Perpetual bonds	74,987	69,989
Reserves		
Capital reserve	57,880	57,880
Surplus reserve	55,276	51,843
General reserve	86,911	85,278
Other reserves	(438)	686
Retained earnings	251,107	235,278
Total equity	589,480	564,711
Total liabilities and equity	7,061,613	6,754,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

14 Statement of financial position and Statement of changes in equity of the Bank *(continued)*

			Reserves							
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange Reserve	Cash flow hedging reserve	Retained earnings	Total
At 31 December 2021	43,782	89,964	57,880	51,843	85,278	750	(57)	(7)	235,278	564,711
(I) Net profit	–	–	–	–	–	–	–	–	34,327	34,327
(II) Other comprehensive income, net of tax	–	–	–	–	–	(1,097)	(35)	8	–	(1,124)
Total comprehensive income	–	–	–	–	–	(1,097)	(35)	8	34,327	33,203
(III) Capital injection and deduction by equity holders										
1. Capital injection by other equity instrument holders	–	4,998	–	–	–	–	–	–	–	4,998
(IV) Profit distribution										
1. Appropriation to surplus reserve	–	–	–	3,433	–	–	–	–	(3,433)	–
2. Appropriation to general reserve	–	–	–	–	1,633	–	–	–	(1,633)	–
3. Cash dividends	–	–	–	–	–	–	–	–	(10,202)	(10,202)
4. Interest on perpetual bond	–	–	–	–	–	–	–	–	(3,230)	(3,230)
At 31 December 2022	43,782	94,962	57,880	55,276	86,911	(347)	(92)	1	251,107	589,480

For the year ended 31 December 2022
(Expressed in millions of Renminbi, unless otherwise stated)

14 Statement of financial position and Statement of changes in equity of the Bank *(continued)*

			Reserves							
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total
At 31 December 2020	43,782	69,860	57,150	48,479	85,029	(1,534)	(121)	(24)	217,909	520,530
(I) Net profit	–	–	–	–	–	–	–	–	33,636	33,636
(II) Other comprehensive income, net of tax	–	–	–	–	–	2,284	64	17	–	2,365
Total comprehensive income	–	–	–	–	–	2,284	64	17	33,636	36,001
(III) Capital injection and deduction by equity holders										
1. Capital injection by other equity instrument holders	–	29,996	–	–	–	–	–	–	–	29,996
2. Capital deduction by other equity instrument holders	–	(9,892)	730	–	–	–	–	–	–	(9,162)
(IV) Profit distribution										
1. Appropriation to surplus reserve	–	–	–	3,364	–	–	–	–	(3,364)	–
2. Appropriation to general reserve	–	–	–	–	249	–	–	–	(249)	–
3. Cash dividends	–	–	–	–	–	–	–	–	(10,714)	(10,714)
4. Interest on perpetual bond	–	–	–	–	–	–	–	–	(1,940)	(1,940)
At 31 December 2021	43,782	89,964	57,880	51,843	85,278	750	(57)	(7)	235,278	564,711

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 262 to 466, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers and financial investments
- Consolidation of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments	
Refer to Note 2.10, Note 3.1, Note 4.16 and Note 4.17 to the consolidated financial statements. As at 31 December 2021, gross loans and advances to customers and accrued interest, as presented in the Group's consolidated balance sheet, amounted to RMB4,071,485 million, for which the management recognized an impairment allowance of RMB105,108 million; total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,740,050 million, for which the management recognized an impairment allowance of RMB17,199 million.	We obtained an understanding of the management's internal control and assessment process of ECL for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated and tested the key internal controls relating to ECL for loans and advances to customers, and financial investments, primarily including: (1) Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models;

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments *(continued)*	
The balances of allowances for impairment losses for loans and advances to customers and financial investments represent the management's best estimates at the balance sheet date of expected credit losses ("ECL") under International Financial Reporting Standard 9: Financial Instruments expected credit losses models. The management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments in stages 1 and 2, and all personal loans, the management assesses allowance for impairment losses using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and financial investments in stage 3, the management assesses allowance for impairment losses using discounted cash flows model. The models of ECL involves significant management judgments and assumptions, primarily including: (1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;	(2) Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults or credit-impaired and forward-looking adjustments; (3) Internal controls over the accuracy and completeness of key inputs used by the models; (4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments in stage 3; (5) Internal controls over the information systems for ECL measurement; (6) Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments. The substantive procedures we preformed primarily included: According to the risk characteristics of assets, we evaluated the reasonableness of segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also examined the model computation on a sample basis, to test whether or not the models reflect the modelling methodologies documented by the management.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments *(continued)*	
(2) Criteria for determining whether or not there is a significant increase in credit risk, or a default or impairment loss is incurred; (3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; (4) The estimated future cash flows for corporate loans and financial investments in stage 3. The management established governance processes and internal controls for the measurement of ECL. For measuring ECL, the management adopted complex models, used numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the loans and advances to customers, financial investments and the related impairment allowance involve significant amounts, and the measurement has a high degree of estimation uncertainty. In view of these reasons, we identified this as a key audit matter.	We have examined the accuracy of data inputs for the ECL models, and evaluated the reasonableness of the correlation parameters, covering: (i) examination of supporting information on a sample basis, including contractual information, such as maturity dates, and other financial and non-financial information, such as the borrower's historical and reporting date information, which have been agreed with the underlying data used to generate probability of default and internal credit ratings, and assessment of the reasonableness of probability of default; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts and assessment of the reasonableness of exposure at default and discount rates. We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired. For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of correlation with the performance of the credit risk portfolios by using statistical techniques. We further evaluated the reasonableness of the prediction of economic indicators by performing back-testing and comparing with available forecasts from third-party institutions. In addition, we performed sensitivity analysis on the economic indicators and weightings under different economic scenarios.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments *(continued)*	
	For corporate loans and advances and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the management based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of impairment allowance. Based on the procedures performed, we considered that the models, key parameters, significant judgement and assumptions adopted in the ECL measurement together with the measurement results were considered acceptable.
Consolidation of structured entities	
Refer to Note 2.4(1), Note 3.5 and Note 7 to the consolidated financial statements. Structured entities primarily included non-principal guaranteed wealth management products, asset-backed securities, funds, trust plans and asset management plans invested, sponsored and managed by the Group. As at 31 December 2021, the carrying amount of unconsolidated structured entities invested by the Group amounted to RMB546,717 million. In addition, as at 31 December 2021, the balances of non-principal guaranteed wealth management products, funds and asset management plans and trust plans sponsored and managed by the Group which were not included in the consolidated statement of financial position were RMB1,012,833 million and RMB195,548 million, respectively.	We understood, evaluated and tested the Group's relevant key internal controls over consolidation assessment of structured entities. These included controls over management's assessment of the transaction structures and contractual terms, calculations of variable returns, as well as approval of the consolidation assessment results. We selected samples of structured entities and performed the following tests: • reviewed contracts and other supporting documents, analysed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities. • performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income, asset management fees, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities ***(continued)***	
Management had determined whether the Group had control of certain structured entities based on the assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. The significant judgement exercised by management in assessing whether the Group had control of structured entities and the significant amount of such structured entities resulted in this matter being identified as a key area of audit focus.	• assessed whether the Group acted as a principal or an agent, through analysis and assessment of the scope of the Group's decision-making authority over the structured entities, the remuneration to which the Group was entitled for asset management services, the Group's exposure to variability of returns from other interests in the structured entities, and the rights held by other parties in the structured entities. Based on the procedures performed, we found management's consolidation judgement of these structured entities acceptable.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Kwok Wai, Jimmy.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2022

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December 2021	2020
Interest income		**277,679**	286,593
Interest expense		**(151,904)**	(151,369)
Net interest income	1	**125,775**	135,224
Fee and commission income		**33,135**	33,113
Fee and commission expense		**(5,569)**	(5,449)
Net fee and commission income	2	**27,566**	27,664
Net trading gain	3	**3,110**	4,212
Net gain from investment securities	4	**7,346**	13,394
Including: disposals of financial assets measured at amortised cost		**744**	(184)
Net other operating income	5	**1,757**	1,313
Operating expenses	6	**(51,181)**	(50,485)
Credit impairment losses	7	**(77,398)**	(92,988)
Other impairment losses		**(1,375)**	(1,628)
Profit before income tax		**35,600**	36,706
Income tax expense	9	**(747)**	(1,604)
Net profit		**34,853**	35,102
Net profit attributable to:			
Equity holders of the Bank		**34,381**	34,309
Non-controlling interests		**472**	793
Earnings per share (expressed in RMB Yuan)			
Basic and diluted earnings per share	10	**0.71**	0.71

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Net profit	**34,853**	35,102
Other comprehensive income of the year, net of tax	**2,271**	(4,284)
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	**(12)**	41
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	**1,934**	(3,585)
Allowance for impairment losses	**471**	(3)
Effective hedging portion of gains or losses arising from cash flow hedging instruments	**17**	(21)
Exchange difference on translating foreign operations	**(139)**	(716)
Total comprehensive income of the year	**37,124**	30,818
Total comprehensive income attributable to:		
Equity holders of the Bank	**36,614**	30,234
Non-controlling interests	**510**	584

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2021	31 December 2020
ASSETS			
Cash and balances with central bank	11	**361,302**	401,525
Balances with banks and other financial institutions	12	**92,546**	52,084
Precious metals		**13,189**	6,782
Placements with banks and other financial institutions	13	**158,768**	221,908
Derivative financial assets	14	**27,461**	42,285
Financial assets held under resale agreements	15	**1,362**	21,464
Loans and advances to customers	16	**3,967,679**	3,782,297
Financial investments:	17		
– Financial assets at fair value through profit or loss		**300,684**	322,480
– Financial assets at fair value through other comprehensive income		**435,529**	470,122
– Financial assets measured at amortised cost		**1,298,220**	1,328,048
Long-term receivables	18	**122,716**	127,853
Property and equipment	19	**53,466**	51,129
Right-of-use assets	20(1)	**14,105**	14,331
Deferred income tax assets	21	**51,904**	50,033
Investments in associates	22(3)	**2**	2
Other assets	23	**53,853**	57,890
Total assets		**6,952,786**	6,950,233

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2021	31 December 2020
LIABILITIES			
Borrowings from central bank		**279,787**	292,352
Deposits and placements from banks and other financial institutions	25	**1,294,358**	1,069,721
Financial liabilities at fair value through profit or loss		**2,856**	3,293
Borrowings from banks and other financial institutions	26	**114,461**	131,018
Derivative financial liabilities	14	**26,114**	42,675
Financial assets sold under repurchase agreements	27	**36,485**	65,318
Deposits from customers	28	**3,825,693**	3,768,151
Lease liabilities	20(2)	**10,225**	10,267
Provisions	29	**2,250**	2,021
Debt securities issued	30	**711,024**	957,880
Current income tax liabilities		**8,811**	18,589
Deferred income tax liabilities	21	**247**	117
Other liabilities	31	**53,936**	47,583
Total liabilities		**6,366,247**	6,408,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2021	31 December 2020
EQUITY			
Share capital	*32*	**43,782**	43,782
Other equity instrument		**89,964**	69,860
Including: Preference shares	*33*	**19,975**	29,867
Perpetual bonds	*34*	**69,989**	39,993
Reserves			
Capital reserve	*32*	**58,149**	57,419
Surplus reserve	*36*	**51,843**	48,479
General reserve	*36*	**87,013**	86,599
Other reserves		**385**	(1,849)
Retained earnings	*36*	**243,144**	225,247
Total equity attributable to equity holders of the Bank		**574,280**	529,537
Non-controlling interests		**12,259**	11,711
Total equity		**586,539**	541,248
Total liabilities and equity		**6,952,786**	6,950,233

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

Approved and authorised for issue by the Board of Directors on 29 March 2022.

Gao Yingxin
Chairman

Zheng Wanchun
Vice Chairman and President

Liu Ningyu
Director

(Company Seal)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the Bank											
				Reserves									
	Note 4	Share capital 32	Other equity instrument 33&34	Capital reserve 32	Surplus reserve 36	General reserve 36	Investment revaluation reserve 39	Exchange reserve	Cash flow hedging reserve 39	Retained earnings 36	Total	Non-controlling interests 37	Total equity
At 31 December 2020		43,782	69,860	57,419	48,479	86,599	(1,740)	(85)	(24)	225,247	529,537	11,711	541,248
(I) Net profit		-	-	-	-	-	-	-	-	34,381	34,381	472	34,853
(II) Other comprehensive income, net of tax		-	-	-	-	-	2,312	(96)	17	-	2,233	38	2,271
Total comprehensive income		-	-	-	-	-	2,312	(96)	17	34,381	36,614	510	37,124
(III) Capital injection and deduction by equity holders													
1. Capital injection by other equity instrument holders		-	29,996	-	-	-	-	-	-	-	29,996	-	29,996
2. Capital deduction by other equity instrument holders		-	(9,892)	730	-	-	-	-	-	-	(9,162)	-	(9,162)
(IV) Profit distribution													
1. Appropriation to surplus reserve		-	-	-	3,364	-	-	-	-	(3,364)	-	-	-
2. Appropriation to general reserve		-	-	-	-	414	-	-	-	(414)	-	-	-
3. Cash dividends		-	-	-	-	-	-	-	-	(10,714)	(10,714)	(72)	(10,786)
4. Perpetual bond interest		-	-	-	-	-	-	-	-	(1,940)	(1,940)	-	(1,940)
(V) Transfers within the owners' equity													
1. Other comprehensive income transferred to retained earnings		-	-	-	-	-	1	-	-	(1)	-	-	-
(VI) Others													
1. Capital injection by subsidiaries		-	-	-	-	-	-	-	-	-	-	140	140
2. Subsidiaries shares repurchased		-	-	-	-	-	-	-	-	(51)	(51)	(30)	(81)
At 31 December 2021		43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in millions of Renminbi, unless otherwise stated)

		Attributable to equity shareholders of the Bank											
				Reserves									
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note 4	32	33&34	32	36	36	39		39	36		37	
At 31 December 2019		43,782	69,860	57,411	45,162	81,657	1,822	408	(3)	218,746	518,845	11,984	530,829
(I) Net profit		-	-	-	-	-	-	-	-	34,309	34,309	793	35,102
(II) Other comprehensive income, net of tax		-	-	-	-	-	(3,541)	(513)	(21)	-	(4,075)	(209)	(4,284)
Total comprehensive income		-	-	-	-	-	(3,541)	(513)	(21)	34,309	30,234	584	30,818
(III) Profit distribution													
1. Appropriation to surplus reserve		-	-	-	3,317	-	-	-	-	(3,317)	-	-	-
2. Appropriation to general reserve		-	-	-	-	4,878	-	-	-	(4,878)	-	-	-
3. Cash dividends		-	-	-	-	-	-	-	-	(17,596)	(17,596)	(76)	(17,672)
4. Interest on the perpetual bond		-	-	-	-	-	-	-	-	(1,940)	(1,940)	-	(1,940)
(IV) Transfers within the owners' equity													
1. Other comprehensive income transferred to retained earnings		-	-	-	-	-	(13)	-	-	13	-	-	-
(V) Others													
1. Purchase non-controlling interests		-	-	72	-	62	(8)	20	-	(97)	49	(751)	(702)
2. Capital injection to subsidiaries		-	-	(64)	-	2	-	-	-	49	(13)	13	-
3. Subsidiaries shares repurchased		-	-	-	-	-	-	-	-	(42)	(42)	(43)	(85)
At 31 December 2020		43,782	69,860	57,419	48,479	86,599	(1,740)	(85)	(24)	225,247	529,537	11,711	541,248

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Cash flows from operating activities:		
Profit before income tax	**35,600**	36,706
Adjustments for:		
– Credit impairment losses	**77,398**	92,988
– Other impairment losses	**1,375**	1,628
– Depreciation and amortisation	**7,407**	7,599
– Losses on disposal of property and equipment and other long-term assets	**11**	103
– Losses/(Gains) from changes in fair value	**1,472**	(440)
– Net gains on disposal of investment securities	**(8,785)**	(8,365)
– Interest expense on debt securities issued	**23,352**	24,330
– Interest expense on lease liabilities	**416**	459
– Interest income from financial investments	**(58,529)**	(64,402)
Subtotal	**79,717**	90,606
Changes in operating assets:		
Net decrease/(increase) in balances with central bank, banks and other financial institutions	**17,681**	(4,374)
Net decrease in placements with banks and other financial institutions	**50,663**	14,038
Net decrease in financial assets held under resale agreements	**20,083**	44,252
Net increase in loans and advances to customers	**(244,767)**	(431,147)
Net decrease in financial assets held for trading purposes	**18,604**	115,683
Net decrease in other operating assets	**8,508**	6,224
Subtotal	**(129,228)**	(255,324)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2021	2020
Cash flows from operating activities *(continued)*:		
Changes in operating liabilities:		
Net (decrease)/increase in borrowings from central bank	**(12,605)**	92,085
Net increase in deposits from customers	**47,587**	124,086
Net increase/(decrease) in deposits and placements from banks and other financial institutions	**221,676**	(92,543)
Net decrease in financial assets sold under repurchase agreements	**(28,541)**	(36,532)
Income tax paid	**(12,982)**	(13,534)
Net (decrease)/increase in other operating liabilities	**(10,207)**	8,754
Subtotal	**204,928**	82,316
Net cash generated from/(used in) operating activities	**155,417**	(82,402)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December 2021	2020
Cash flows from investing activities:			
Proceeds from sale and redemption of investments and investment income		**1,353,113**	1,288,984
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**2,810**	3,435
Cash payment for investments		**(1,228,550)**	(1,276,243)
Cash payment for purchasing non-controlling interests in subsidiaries		**–**	(702)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		**(9,465)**	(7,814)
Net cash generated from investing activities		**117,908**	7,660
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		**29,996**	–
Proceeds from issue of debt securities		**766,573**	1,040,440
Capital injection by subsidiaries		**140**	–
Capital deduction by holders of other equity instruments		**(9,162)**	–
Repayment of debt securities issued		**(1,025,490)**	(914,743)
Subsidiaries shares repurchased		**(81)**	(85)
Interest paid on debt securities and perpetual bonds issued		**(14,063)**	(12,230)
Dividends paid		**(10,736)**	(17,669)
Cash payment in other financing activities		**(3,897)**	(3,748)
Net cash (used in)/generated from financing activities		**(266,720)**	91,965
Net increase in cash and cash equivalents		**6,605**	17,223
Cash and cash equivalents at 1 January		**157,919**	144,650
Effect of exchange rate changes on cash and cash equivalents		**(1,106)**	(3,954)
Cash and cash equivalents at 31 December	40	**163,418**	157,919

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

1 General information

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

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking and Insurance Regulatory Commission (the former "China Banking Regulatory Commission" and "China Insurance Regulatory Commission", the "CBIRC"), and the business licence as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

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

In these consolidated financial statements for the year ended 31 December 2021, China mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

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

As at 31 December 2021, the Bank had 42 tier-one branches and 32 subsidiaries.

2 Summary of significant accounting policies

The accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622) for this financial year and the comparative period.

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(2) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Standards and amendments effective in 2021 relevant to and adopted by the Group

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform-Phase 2
Amendments to IFRS 16	COVID 19 Related Rent Concessions

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform-Phase 2

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("Interest Rate Benchmark Reform-Phase 2"). The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial instruments (that is, financial instruments classified as amortised cost and debt instruments at FVOCI), lease receivables and lease liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.2 Standards and amendments effective in 2021 relevant to and adopted by the Group *(continued)*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform-Phase 2 *(continued)*

The amendment provides a provisional exemption. When a company expects reasonably that the alternative benchmark interest rate will meet the separately identifiable requirements within 24 months from the date when it is designated as a non-contractually clear risk component, it shall be deemed to meet the separately identifiable requirements. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

Amendments to IFRS 16: COVID 19 related Rent Concessions

The International Accounting Standards Board (IASB) has published 'Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)' that extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID 19 related rent concession is a lease modification, and the changes in Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to:

- permit a lessee to apply the practical expedient regarding COVID 19 related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);

- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;

- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and

- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

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

(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

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

In current year, the Group has not adopted the following new or amended standards issued by the IASB and the IFRS Interpretations Committee ("IFRIC"), that have been issued but are not yet effective.

Standards/Amendments		Effective date
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020 cycle	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction	1 January 2023

Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 37: Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract. The amendments clarify the meaning of 'costs to fulfil a contract', they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 16: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards 2018-2020 cycle

The Annual Improvements to IFRSs 2018 – 2020 Cycle include a number of amendments to various IFRSs:

- IFRS 1 First – time Adoption of International Financial Reporting Standards -allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- IFRS 16 Leases – amendment of its illustrative example to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

And the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;

The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 8: Definition of Accounting Estimates

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are"monetary amounts in financial statements that are subject to measurement uncertainty".

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognises deferred tax for all temporary differences related to leases and decommissioning obligations and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 Summary of significant accounting policies *(continued)*

2.4 Consolidation

(1) Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.4 Consolidation *(continued)*

(2) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis.

2 Summary of significant accounting policies *(continued)*

2.4 Consolidation *(continued)*

(3) Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(4) Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.4 Consolidation *(continued)*

(4) Investment in associate *(continued)*

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortized cost, presented as "interest income" and 'interest expenses' respectively. For specific accounting policies, please refer to the Note 2.10(4) subsequent measurement of financial instruments.

2.6 Fee and commission income

Fee and commission income is recognized when the Group fulfils its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement and clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

2 Summary of significant accounting policies (continued)

2.7 Foreign currency translations

The functional currency of the Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for the following:

(1) Exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;

(2) Changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

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2 Summary of significant accounting policies (continued)

2.8 Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies *(continued)*

2.9 Employee benefits

(1) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss, including salaries, bonuses, allowance, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labour union fee and staff and workers' education fee.

(2) Post-employment benefits-defined contribution plans

The Group's post-employment benefits are primarily the payments for basic pension fund and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. The contribution amounts to the basic pension plan and unemployment insurance program are calculated based on the benchmarks and ratios stipulated by the state. In accordance with relevant annuity policies of the state, the Bank and some subsidiaries have also established supplementary defined contribution retirement plans, or annuity plans, for their qualified employees.

Contributions to the post-employment benefits plans are recognised in the consolidated statement of profit or loss for the period in which the related payment obligation is incurred.

2.10 Financial instruments

(1) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(1) Initial recognition, classification and measurement of financial instruments *(continued)*

(a) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

- Amortized cost ("AC");
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic leading arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

2 Summary of significant accounting policies (continued)

2.10 Financial instruments *(continued)*

(1) Initial recognition, classification and measurement of financial instruments *(continued)*

(a) Financial assets *(continued)*

The classification requirements for debt instruments and equity instruments are described as below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- AC: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVPL, are measured at amortized cost.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

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2 Summary of significant accounting policies (continued)

2.10 Financial instruments *(continued)*

(1) Initial recognition, classification and measurement of financial instruments *(continued)*

(b) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expenses incurred on the financial liability.

(2) Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(3) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

(4) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(a) Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income and interest expenses from these financial assets is included in "Interest income" and "interest expenses" using the effective interest rate method.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(4) Subsequent measurement of financial instruments *(continued)*

(a) Amortized cost *(continued)*

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for:

- POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and

- financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(b) Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(4) Subsequent measurement of financial instruments *(continued)*

(b) Fair value through other comprehensive income *(continued)*

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established.

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

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on a financial assets that is measured at fair value should be recognised in profit or loss.

(d) Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and

- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with the above paragraph will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(5) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument reflects:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) The time value of money; and

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note 10.2(3).

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The definition of credit-impaired financial assets is disclosed in Note 10.2(3).

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(5) Impairment of financial instruments *(continued)*

Financial instruments in Stage 1 have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12m ECL"). Financial instruments in Stage 2 or Stage 3 have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note 10.2(3).

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

(6) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a new asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(6) Modification of loans *(continued)*

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

(7) Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated income statement.

(8) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(9) Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

(a) Their economic characteristics and risks are not closely related to those of the host contract;

(b) A separate instrument with the same terms would meet the definition of a derivative; and

(c) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

(10) Hedge accounting

The Group uses cash flow hedge accounting and fair value hedge accounting. The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assesses the hedge effectiveness both at hedge inception and on an ongoing basis.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(10) Hedge accounting *(continued)*

(a) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately transferred to the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in other comprehensive income is immediately transferred to the profit or loss.

(b) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(11) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(12) Repurchase agreements and agreements to resell

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments or debt instruments as appropriate. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note 6.3 Contingent Liabilities and Commitments – Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related collateral accepted is not recognized in the consolidated financial statements (Note 6.3 Contingent Liabilities and Commitments – Collateral).

The difference between the purchase and sale price is recognized as interest expense or income in the consolidated income statement over the term of the agreements using the effective interest method.

2.11 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

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2 Summary of significant accounting policies *(continued)*

2.12 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Depreciation is recognized as a component of operating expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	20 – 30 years	5%	3.17% – 4.75%
Office equipment and others	5 – 20 years	5%	4.75% – 19.00%
Motor Vehicles	5 years	5%	19.00%
Operating lease fixed assets	5 – 30 years	5-15%	2.83% – 19.00%

2 Summary of significant accounting policies *(continued)*

2.12 Property and equipment *(continued)*

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

2.13 Land use rights

Land use rights are classified in Right-of-use assets and amortized over a straight-line basis over their authorized useful lives.

2.14 Foreclosed assets

Foreclosed financial assets are initially recognized at fair value, and foreclosed non-financial assets are initially measured at the fair value of the waived creditors' rights and other costs such as taxes directly attributable to the assets. At the end of each reporting period, foreclosed non-financial assets are measured at the lower of their carrying amount and fair value, less costs to sell. When the fair value, less costs to sell, is lower than a foreclosed non-financial asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated income statement in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

2 Summary of significant accounting policies *(continued)*

2.15 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

The accounting policies of impairment of investment property are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated income statement.

2.16 Leases

(1) Identifying a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2 Summary of significant accounting policies *(continued)*

2.16 Leases *(continued)*

(2) Lessee

At the commencement date, the Group recognises a right-of-use asset and a lease liability.

The Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

– The amount of the initial measurement of the lease liability;

– Any lease payments made at or before the commencement date less any lease incentives received;

– Any initial direct costs incurred by the lessee;

– An estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

– Fixed payments, less any lease incentives receivable;

– Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– Amounts expected to be payable under residual value guarantees;

– The exercise price of a purchase option if the Group is reasonably certain to exercise that option;

– Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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For the year ended 31 December 2021
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2 Summary of significant accounting policies *(continued)*

2.16 Leases *(continued)*

(3) Recognition exemptions

The Group elects not to apply the requirements above to:

– Short-term leases;

– Lease for which the underlying asset is of low value.

The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

(4) Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

The Group recognises lease payments from operating leases as income on a straight-line basis, and recognises costs, including depreciation, incurred in earning the lease income as an expense. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognise those costs as an expense over the lease term on the same basis as the lease income.

(b) Finance leases

At the commencement date, the Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

2 Summary of significant accounting policies *(continued)*

2.18 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement.

2.19 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

2.20 Dividend distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the ordinary equity holders in the annual general meeting of the Bank.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares and perpetual bonds. Preference shares and perpetual bonds dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.21 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.22 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

2.23 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

2 Summary of significant accounting policies *(continued)*

2.23 Financial guarantee contracts and loan commitments *(continued)*

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable. The Group's contingent liabilities are disclosed in Note 6 Contingent liabilities and commitments.

A provision is recognized when it meets the criteria as set forth in Note 2.21 Provisions.

2.25 Related parties

(1) A person, or a close member of that person's family, is related to the Group if that person:

a has control or joint control over the Group;

b has significant influence over the Group; or

c is a member of the key management personnel of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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2 Summary of significant accounting policies *(continued)*

2.25 Related parties *(continued)*

(2) An entity is related to the Group if any of the following conditions applies:

a The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

b One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

c Both entities are joint ventures of the same third party;

d One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

e The entity is controlled or jointly controlled by a person identified in (i);

f A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.26 Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

The reports on an operating segment are consistent with those internal reports submitted to the chief operating decision maker.

3 Significant accounting estimates and judgements

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgments and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

3.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 10.2 Credit risk.

3.2 Classification of financial assets

The critical judgments the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

3 Significant accounting estimates and judgements *(continued)*

3.3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.4 Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

3.5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

3 Significant accounting estimates and judgements *(continued)*

3.6 Derecognition of financial assets

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties.

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgment is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group's assessment on the extent that risks and rewards are transferred.

- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements

4.1 Net interest income

	Year ended 31 December	
	2021	2020
Interest income arising from:		
Loans and advances to customers	**197,251**	200,351
Including: Corporate loans and advances	**94,100**	100,556
Personal loans and advances	**95,864**	91,939
Discounted bills	**7,287**	7,856
Financial investments	**58,529**	64,402
Including: Financial assets measured at amortised cost	**44,503**	47,116
Financial assets at fair value through other comprehensive income	**14,026**	17,286
Long-term receivables	**7,902**	6,840
Placements with banks and other financial institutions	**6,868**	8,402
Balances with central bank	**5,150**	5,306
Financial assets held under resale agreements	**1,616**	788
Balances with banks and other financial institutions	**363**	504
Subtotal	**277,679**	286,593
Interest expense arising from:		
Deposits from customers	**(83,457)**	(84,767)
Deposits and placements from banks and other financial institutions	**(30,881)**	(27,468)
Debt securities issued	**(23,352)**	(24,330)
Borrowings from central bank	**(8,796)**	(8,010)
Borrowings from banks and other financial institutions and others	**(3,641)**	(4,120)
Financial assets sold under repurchase agreements	**(1,361)**	(2,215)
Lease liabilities	**(416)**	(459)
Subtotal	**(151,904)**	(151,369)
Net interest income	**125,775**	135,224
Of which:		
Interest income from impaired loans and advances to customers	**1,174**	1,018

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.2 Net fee and commission income

	Year ended 31 December	
	2021	2020
Fee and commission income		
Bank card services	**11,473**	11,469
Custodian and other fiduciary services	**10,476**	6,213
Agency services	**6,422**	8,434
Settlement services	**2,001**	2,881
Credit commitments	**1,773**	2,104
Others	**990**	2,012
Subtotal	**33,135**	33,113
Fee and commission expense	**(5,569)**	(5,449)
Net fee and commission income	**27,566**	27,664

4.3 Net trading gain

	Year ended 31 December	
	2021	2020
Net gain from interest rate products	**2,017**	3,397
Net gain from foreign exchange and foreign exchange product	**461**	1,147
Others	**632**	(332)
Total	**3,110**	4,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.4 Net gain from investment securities

	Year ended 31 December	
	2021	2020
Financial assets at fair value through profit or loss	**5,409**	10,506
Financial assets at fair value through other comprehensive income	**1,193**	3,049
Financial assets measured at amortised cost	**744**	(184)
Others	**–**	23
Total	**7,346**	13,394

4.5 Net other operating income

	Year ended 31 December	
	2021	2020
Operating leases income	**3,969**	3,030
Operating leases costs	**(2,302)**	(2,252)
Others	**90**	535
Total	**1,757**	1,313

4.6 Operating expenses

	Year ended 31 December	
	2021	2020
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	**28,612**	26,264
– Post-employment benefits-defined contribution plan	**2,403**	1,978
Depreciation and amortisation	**5,665**	5,823
Short-term lease expenses, low-value lease expenses and property management expenses	**843**	735
Tax and surcharges	**1,949**	2,051
Office expenses, business expenses and others	**11,709**	13,634
Total	**51,181**	50,485

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.7 Credit impairment losses

	Year ended 31 December	
	2021	2020
Loans and advances to customers	**58,660**	76,990
Financial assets measured at amortised cost	**14,115**	9,684
Financial assets at fair value through other comprehensive income	**577**	1,200
Long-term receivables	**2,845**	1,083
Other receivables	**571**	3,403
Others	**630**	628
Total	**77,398**	92,988

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(Expressed in millions of Renminbi, unless otherwise stated)

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

4.8 Directors and supervisors' emoluments

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

For the year ended 31 December 2021 (in thousands of RMB)

	Year ended 31 December 2021			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin(i)(ii)	3,918	107	–	4,025
Zhang Hongwei	935	–	–	935
Lu Zhiqiang	935	–	–	935
Liu Yonghao	935	–	–	935
Zheng Wanchun(i)(ii)	3,483	107	–	3,590
Shi Yuzhu	815	–	–	815
Wu Di	905	–	–	905
Song Chunfeng(iii)	–	–	–	–
Weng Zhenjie	875	–	–	875
Yang Xiaoling(iv)	745	–	–	745
Zhao Peng(iv)	850	–	–	850
Liu Jipeng	950	–	–	950
Li Hancheng	1,055	–	–	1,055
Xie Zhichun	990	–	–	990
Peng Xuefeng	890	–	–	890
Liu Ningyu	1,108	–	–	1,108
Qu Xinjiu(iv)	920	–	–	920
Yuan Guijun(i)(ii)(iv)	3,178	107	–	3,285
Zhang Juntong(i)(ii)	3,191	107	–	3,298
Yang Yu(i)(ii)(iv)	205	10	–	215
Lu Zhongnan	760	–	–	760
Zhao Linghuan	685	–	–	685
Li Yu	770	–	–	770
Wang Yugui	760	–	–	760
Zhao Fugao(iii)	75	–	–	75
Zhang Liqing	710	–	–	710
Gong Zhijian(iv)	296	10	–	306
Guo Dong(v)	2,947	99	–	3,046
Li Jian(v)	3,015	90	–	3,105

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

4.8 Directors and Supervisors' emoluments *(continued)*

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows (continued):

(i) The Bank deferrals part of the performance remuneration of the Executive Director, the Chairman of the Supervisory Board and the Vice-chairman of the Supervisory Board, which is not included in the above disclosure. Refer to Note 9 for deferred payment matters.

(ii) The emoluments before tax of Executive Directors, the Chairman and Vice Chairman of the Supervisory Board are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have significant impacts on the Group's 2021 financial statements.

(iii) Since April 2020, Mr. Song ChunFeng has not received the remuneration of directors.

Since February 2021, Mr. Zhao FuGao has not received the supervisor's salary.

(iv) Mr. Yang XiaoLing's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

Mr. Zhao Peng's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in June 2021.

Mr. Qu XinJiu's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

In January 2021, Mr. Yuan GuiJun was newly elected as the executive director of the Bank, and his qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

In November 2021, Mr. Yang Yu, Mr. Gong ZhiJian were newly elected as the supervisors of the Bank.

(v) In November 2021, Mr. Guo Dong and Mr. Li Jian retired the supervisors of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.8 Directors and Supervisors' emoluments *(continued)*

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows (continued):

For the year ended 31 December 2020 (in thousands of RMB)

	Year ended 31 December 2020			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin(i)(ii)	2,207	48	930	3,185
Zhang Hongwei	940	–	–	940
Lu Zhiqiang	925	–	–	925
Liu Yonghao	935	–	–	935
Zheng Wanchun(i)	4,082	107	2,463	6,652
Shi Yuzhu	820	–	–	820
Wu Di	885	–	–	885
Song Chunfeng	208	–	–	208
Weng Zhenjie	835	–	–	835
Yang Xiaoling(ii)	130	–	–	130
Zhao Peng(ii)	145	–	–	145
Liu Jipeng	885	–	–	885
Li Hancheng	990	–	–	990
Xie Zhichun	915	–	–	915
Peng Xuefeng	905	–	–	905
Liu Ningyu	950	–	–	950
Qu Xinjiu(ii)	155	–	–	155
Zhang Juntong(i)	3,887	107	1,615	5,609
Guo Dong(i)	3,476	107	1,148	4,731
Lu Zhongnan	755	–	–	755
Zhao Linghuan(ii)	120	–	–	120
Li Yu(ii)	140	–	–	140
Wang Yugui	755	–	–	755
Zhao Fugao	750	–	–	750
Zhang Liqing(ii)	130	–	–	130
Li Jian(ii)	3,471	85	–	3,556
Hong Qi(iii)	2,902	63	1,036	4,001
Tian Suning(iii)	745	–	–	745
Wang Jiazhi(iii)	152	–	–	152
Wang Hang(iii)	615	–	–	615
Zhang Bo(iii)	565	–	–	565
Bao Jiming(iii)	565	–	–	565

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

4.8 Directors and Supervisors' emoluments *(continued)*

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows (continued):

(i) The Bank deferrals part of the performance remuneration of the Executive Director, the Chairman of the Supervisory Board and the Vice-chairman of the Supervisory Board, which is not included in the above disclosure. Refer to Note 9 for deferred payment matters.

(ii) The total pre-tax remuneration of the executive director, chairman of the Board of Supervisors and vice-chairman of the Board of Supervisors on full salary of the Bank has been approved by the Compensation and Appraisal Committee of the Board of Directors. The bank has made a supplementary disclosure in the Supplementary Announcement of China Minsheng Banking Corporation Limited on The Company's Executive Compensation in 2020. The relevant compensation amounts have been restated.

(iii) In June 2020, Mr. Gao YingXin was newly elected as the executive director and the chairman of the board of the Bank, and his qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in July 2020.

In October 2020, Mr. Yang XiaoLing was newly elected as the director of the Bank.

In October 2020, Mr. Zhao Peng was newly elected as the director of the Bank.

In October 2020, Mr. Qu XinJiu was newly elected as the director of the Bank.

In October 2020, Mr. Zhao LingHuan, Mr. Li Yu and Mr. Zhang LiQing were newly elected as the supervisors of the Bank.

In March 2020, Mr. Li Jian was newly elected as the supervisor of the Bank.

(iv) In June 2020, Mr. Hong Qi retired and resigned as the executive director and the chairman of the board of the Bank. He continued to perform duties until July 2020.

In October 2020, due to the expiration of his term of office, Mr. Tian ShuoNing was no longer serve as the director of the Bank.

In March 2020, Mr. Wang JiaZhi retired and resigned as the supervisor of the Bank.

In October 2020, due to the expiration of their term of office, Mr. Wang Hang, Mr. Zhang Bo and Mr. Bao JiMing were no longer serve as the supervisors of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.8 Directors and Supervisors' emoluments *(continued)*

(2) None of the five individuals with the highest emoluments for the year ended 31 December 2021 were directors or supervisors of the Bank (2020: None of the five individuals with the highest emoluments were directors or supervisors of the Bank). The aggregate of the emoluments in respect of the five individuals during the year was as follows(in thousands of RMB):

	Year ended 31 December	
	2021	2020
Basic salaries, allowances and benefits	**3,199**	13,053
Contributions to pension schemes	**347**	452
Discretionary bonus	**50,428**	25,598
Total	**53,974**	39,103

The number of the five highest paid individuals whose emoluments fell within the following bands is set out below:

	Year ended 31 December	
	2021	2020
From RMB6,000,001 to RMB10,000,000	**2**	5
From RMB10,000,001 to RMB14,000,000	**3**	–

The Group had not paid any emoluments to the directors or supervisors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.9 Income tax expense

	Year ended 31 December	
	2021	2020
Current tax for the year	**3,204**	14,333
Deferred tax (Note 4.21)	**(2,457)**	(12,729)
Total	**747**	1,604

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

		Year ended 31 December	
	Note	**2021**	2020
Profit before income tax		**35,600**	36,706
Income tax at the tax rate of 25%		**8,900**	9,177
Effect of non-taxable income	(1)	**(9,252)**	(7,469)
Effect of non-deductible expenses	(2)	**1,679**	413
Effect of tax adjustment for prior year		**(42)**	53
Others		**(538)**	(570)
Income tax expense		**747**	1,604

(1) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, which are exempted from income tax.

(2) It mainly includes tax effects of losses written-off that are not deductible before tax, as well as business entertainment expenses and deposit insurance premiums in excess of their respective pre-tax deductible limits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue.

The Bank issued non-cumulative preference shares in 2016. The Bank issued non-cumulative preference shares and perpetual bonds in 2019 and 2021 respectively under the terms and conditions as detailed in Note 4.33 Preference Shares and Note 4.34 Perpetual Bonds.

The conversion feature of the preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2021 and 31 December 2020, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Year ended 31 December	
	2021	2020
Profit for the year attributable to equity holders of the Bank	**34,381**	34,309
Less: profit for the year attributable to other equity instrument holders of the Bank	**(3,328)**	(3,337)
Net profit attributable to ordinary equity holders of the Bank	**31,053**	30,972
Weighted average number of ordinary shares in issue (in millions)	**43,782**	43,782
Basic/Diluted earnings per share (in RMB)	**0.71**	0.71

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.11 Cash and balances with central bank

	31 December 2021	31 December 2020
Cash	**5,292**	5,360
Balances with central bank		
Mandatory reserve deposits	**313,375**	330,874
Surplus reserve deposits	**41,093**	63,799
Fiscal deposits and others	**1,409**	1,343
Subtotal	**355,877**	396,016
Interest accrued	**133**	149
Total	**361,302**	401,525

The Group places mandatory reserve deposits with the PBOC or local regulator. The mandatory reserve deposits are not available for use in the Group's daily business.

As at 31 December 2021 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 8.0% (31 December 2020: 9.0%) and the reserve rate for foreign currency deposits is 9.0% (31 December 2020: 5.0%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.12 Balances with banks and other financial institutions

	31 December 2021	31 December 2020
China mainland		
– Banks	**40,181**	24,049
– Other financial institutions	**4,950**	4,861
Subtotal	**45,131**	28,910
Overseas		
– Banks	**46,808**	23,583
– Other financial institutions	**552**	196
Subtotal	**47,360**	23,779
Interest accrued	**63**	57
Less: allowance for impairment losses	**(8)**	(662)
Total	**92,546**	52,084

For the years ended 31 December 2021 and 2020, the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages were insignificant.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.13 Placements with banks and other financial institutions

	31 December 2021	31 December 2020
China mainland		
– Banks	**7,885**	9,911
– Other financial institutions	**138,194**	191,696
Subtotal	**146,079**	201,607
Overseas		
– Banks	**10,626**	18,309
– Other financial institutions	**3,412**	2,641
Subtotal	**14,038**	20,950
Interest accrued	**240**	323
Less: allowance for impairment losses	**(1,589)**	(972)
Total	**158,768**	221,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

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

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

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	(233)	–	(739)	(972)
Transfer:				
to stage 3	5	–	(5)	–
Net reversal/(charge)	(183)	–	(434)	(617)
Balance as at 31 December 2021	(411)	–	(1,178)	(1,589)

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(178)	(325)	–	(503)
Transfer:				
to stage 3	–	325	(325)	–
Net charge	(55)	–	(414)	(469)
Balance as at 31 December 2020	(233)	–	(739)	(972)

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.14 Derivatives

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

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

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

	31 December 2021		
	Notional amount	Fair value Assets	Liabilities
Foreign exchange derivatives	**2,611,330**	**24,790**	**(21,468)**
Interest rate derivatives	**1,422,507**	**1,047**	**(903)**
Precious metal derivatives	**59,693**	**1,521**	**(3,641)**
Others	**6,467**	**103**	**(102)**
Total		**27,461**	**(26,114)**

	31 December 2020		
	Notional amount	Fair value Assets	Liabilities
Foreign exchange derivatives	1,940,939	39,988	(37,279)
Interest rate derivatives	1,399,900	1,193	(1,497)
Precious metal derivatives	47,559	869	(3,673)
Others	1,666	235	(226)
Total		42,285	(42,675)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.14 Derivatives *(continued)*

(2) Hedges

	Note	31 December 2021 Notional amount	Fair value Assets	Fair value Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	4,272	96	–
Fair value hedges				
– Interest Rate swap contracts	(b)	13,235	98	(26)
Total			194	(26)

		31 December 2020 Notional amount	Fair value Assets	Fair value Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	5,827	504	–
Fair value hedges				
– Interest rate swap contracts	(b)	6,087	–	(103)
Total			504	(103)

(a) The Group uses foreign exchange swaps to hedge against cash flow fluctuations arising from its exposures to foreign exchange risks. The hedged items include foreign bond investments of the Group, loans and advances denominated in foreign currencies, and foreign currency lending to other banks and financial institutions. For the years ended 31 December 2021 and 2020, the accumulative profit or loss recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments was not significant.

(b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the year ended 31 December 2021 and for the year ended 31 December 2020, the fair value changes of hedging instruments, the net gain or loss of hedged items and ineffective part of fair value hedging recognised in fair value changes were not significant.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.14 Derivatives *(continued)*

(3) Credit risk weighted amount

	31 December 2021	31 December 2020
Credit risk weighted amount for counterparty	**20,712**	14,945

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

4.15 Financial assets held under resale agreements

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

	31 December 2021	31 December 2020
Bonds	**823**	17,025
Discounted bills	**–**	3,821
Others	**541**	601
Subtotal	**1,364**	21,447
Interest accrued	**18**	21
Less: allowance for impairment losses	**(20)**	(4)
Total	**1,362**	21,464

For the years ended 31 December 2021 and 2020, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Loans and advances to customers

	Note	31 December 2021	31 December 2020
Measured at amortised cost:			
Corporate loans and advances			
– Corporate loans		**2,017,910**	2,023,823
Personal loans and advances			
– Residential mortgage		**595,468**	515,296
– Micro lending	(1)	**577,327**	511,365
– Credit cards		**472,077**	462,309
– Others		**96,459**	107,671
Gross Balance		**1,741,331**	1,596,641
Less: allowance for impairment losses		**(103,806)**	(96,542)
Subtotal		**3,655,435**	3,523,922
Measured at fair value through other comprehensive income:			
Corporate loans and advances			
– Corporate loans		**5,577**	5,608
– Discounted bills		**280,874**	227,859
Subtotal		**286,451**	233,467
Interest accrued		**25,793**	24,908
Total		**3,967,679**	3,782,297

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

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.16 Loans and advances to customers *(continued)*

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

	31 December 2021		31 December 2020	
	Amount	(%)	Amount	(%)
Unsecured loans	**1,010,309**	**24.97**	947,468	24.58
Guaranteed loans	**670,747**	**16.58**	661,727	17.17
Loans secured by				
– Tangible assets other than monetary assets	**1,739,357**	**42.99**	1,686,307	43.76
– Monetary assets	**625,279**	**15.46**	558,429	14.49
Total	**4,045,692**	**100.00**	3,853,931	100.00

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For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

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

	31 December 2021				
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured loans	9,618	12,522	3,873	1,011	27,024
Guaranteed loans	7,152	5,923	2,240	1,145	16,460
Loans secured by					
– Tangible assets other than monetary assets	13,454	14,093	9,389	2,096	39,032
– Monetary assets	171	2,441	2,293	304	5,209
Total	30,395	34,979	17,795	4,556	87,725
% of total loans and advances to customers	0.75	0.87	0.44	0.11	2.17

	31 December 2020				
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured loans	14,521	10,665	7,880	1,028	34,094
Guaranteed loans	3,639	5,183	2,842	1,153	12,817
Loans secured by					
– Tangible assets other than monetary assets	6,587	8,851	6,197	2,281	23,916
– Monetary assets	1,591	3,844	1,288	538	7,261
Total	26,338	28,543	18,207	5,000	78,088
% of total loans and advances to customers	0.68	0.75	0.47	0.13	2.03

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

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

4.16 Loans and advances to customers *(continued)*

(3) Movements in allowance for impairment losses

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

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(23,048)**	**(29,725)**	**(43,769)**	**(96,542)**
Transfer:				
to stage 1	**(1,084)**	**749**	**335**	**–**
to stage 2	**2,292**	**(4,346)**	**2,054**	**–**
to stage 3	**612**	**7,234**	**(7,846)**	**–**
Net reversal/(charge)	**1,038**	**(10,975)**	**(48,000)**	**(57,937)**
Write-offs and transfer out	**–**	**–**	**54,324**	**54,324**
Recoveries of amounts previously written off	**–**	**–**	**(5,204)**	**(5,204)**
Others	**(7)**	**(13)**	**1,573**	**1,553**
Balance as at 31 December 2021	**(20,197)**	**(37,076)**	**(46,533)**	**(103,806)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(25,536)	(21,714)	(35,225)	(82,475)
Transfer:				
to stage 1	(786)	576	210	–
to stage 2	1,375	(2,796)	1,421	–
to stage 3	577	3,441	(4,018)	–
Net reversal/(charge)	1,267	(9,287)	(69,253)	(77,273)
Write-offs and transfer out	–	–	66,316	66,316
Recoveries of amounts previously written off	–	–	(4,388)	(4,388)
Others	55	55	1,168	1,278
Balance as at 31 December 2020	(23,048)	(29,725)	(43,769)	(96,542)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

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

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

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(496)**	**–**	**(599)**	**(1,095)**
Transfer:				
to stage 3	**1**	**–**	**(1)**	**–**
Net reversal/(charge)	**209**	**(104)**	**(828)**	**(723)**
Transfer out	**–**	**–**	**516**	**516**
Balance as at 31 December 2021	**(286)**	**(104)**	**(912)**	**(1,302)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(989)	–	(1,183)	(2,172)
Transfer:				
to stage 3	5	–	(5)	–
Net reversal/(charge)	488	–	(205)	283
Write-offs	–	–	794	794
Balance as at 31 December 2020	(496)	–	(599)	(1,095)

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments

	Note	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss	(1)	**300,684**	322,480
Financial assets at fair value through other comprehensive income	(2)	**435,529**	470,122
Financial assets measured at amortised cost	(3)	**1,298,220**	1,328,048
Total		**2,034,433**	2,120,650

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

	Note	31 December 2021	31 December 2020
Held for trading purpose			
Debt securities			
Government		**4,512**	1,960
Policy banks		**12,686**	9,149
Banks and non-bank financial institutions		**15,353**	21,734
Corporates		**32,268**	40,814
Subtotal		**64,819**	73,657
Equity investments		**2,012**	6,146
Investment funds	(a)	**13,694**	19,681
Subtotal		**80,525**	99,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4.17 Financial investments *(continued)*

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

	Note	31 December 2021	31 December 2020
Other financial assets at fair value through profit or loss			
Debt securities			
Corporates		**964**	1,194
Banks and non-bank financial institutions		**2,660**	–
Equity investments		**25,267**	33,042
Investment funds	(a)	**177,317**	171,063
Trust and asset management plans	(b)	**12,860**	12,343
Wealth management products		**–**	4,197
Others		**1,091**	1,157
Subtotal		**220,159**	222,996
Total		**300,684**	322,480
Listed		**65,297**	75,944
– Of which: listed in Hong Kong		**8,237**	22,395
Unlisted		**235,387**	246,536
Total		**300,684**	322,480

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

(a) As at 31 December 2021 and 31 December 2020, the investment funds primarily include public bond funds and public money market funds.

(b) As at 31 December 2021 and 31 December 2020, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (9)).

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.17 Financial investments *(continued)*

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

	31 December 2021	31 December 2020
Debt securities		
Government	112,163	118,461
Policy banks	55,571	69,485
Banks and non-bank financial institutions	126,751	105,634
Corporates	127,390	166,546
Subtotal	421,875	460,126
Equity investments	8,325	4,030
Interest accrued	5,329	5,966
Total	435,529	470,122
Listed	396,269	442,267
– Of which: listed in Hong Kong	41,619	51,236
Unlisted	33,931	21,889
Interest accrued	5,329	5,966
Total	435,529	470,122

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the year ended 31 December 2021, dividend income of RMB28 million (for the year ended 31 December 2020: RMB14 million) recognised for such equity investments was included in the profit or loss. The impact of gain on disposal of other equity investments at fair value through other comprehensive income was not significant for the year ended 31 December 2021 (for the year ended 31 December 2020: insignificant).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

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

Fair value

	31 December 2021	31 December 2020
Debt securities		
Cost	**430,426**	470,660
Cumulative amount of change in fair value that is accrued to other comprehensive income	**(3,222)**	(4,568)
Fair value	**427,204**	466,092
Equity investment		
Cost	**8,327**	3,991
Cumulative amount of change in fair value that is accrued to other comprehensive income	**(2)**	39
Fair value	**8,325**	4,030
Total	**435,529**	470,122

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.17 Financial investments *(continued)*

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

Movements in allowance for impairment losses

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(1,292)**	**(11)**	**(826)**	**(2,129)**
Transfer:				
to stage 2	**5**	**(5)**	**–**	**–**
to stage 3	**1**	**–**	**(1)**	**–**
Net reversal/(charge)	**620**	**(68)**	**(1,129)**	**(577)**
Write-offs and transfer out	**–**	**–**	**72**	**72**
Others	**10**	**–**	**51**	**61**
Balance as at 31 December 2021	**(656)**	**(84)**	**(1,833)**	**(2,573)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(996)	–	(66)	(1,062)
Transfer:				
to stage 2	2	(2)	–	–
to stage 3	10	1	(11)	–
Net charge	(319)	(10)	(871)	(1,200)
Write-offs and transfer out	–	–	130	130
Others	11	–	(8)	3
Balance as at 31 December 2020	(1,292)	(11)	(826)	(2,129)

As at 31 December 2021, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB635 million (31 December 2020: RMB1,054 million), with allowance for impairment losses of RMB1,833 million (31 December 2020: RMB826 million).

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

4.17 Financial investments *(continued)*

(3) Financial assets measured at amortised cost

	Note	31 December 2021	31 December 2020
Debt securities			
Government		**886,728**	843,626
Policy banks		**44,839**	12,048
Banking and non-banking financial institutions		**43,006**	117,971
Corporates		**219,172**	197,781
Subtotal		**1,193,745**	1,171,426
Trust and asset management plans	(a)	**87,596**	139,747
Debt financing plans		**12,817**	8,141
Others		**2,446**	2,609
Interest accrued		**16,242**	16,200
Less: allowance for impairment losses		**(14,626)**	(10,075)
Total		**1,298,220**	1,328,048
Listed		**1,191,474**	1,115,917
– Of which: listed in Hong Kong		**1,935**	1,693
Unlisted		**105,130**	206,006
Interest accrued		**16,242**	16,200
Less: allowance for impairment losses		**(14,626)**	(10,075)
Total		**1,298,220**	1,328,048

(a) As at 31 December 2021 and 31 December 2020, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2 (9)).

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.17 Financial investments *(continued)*

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

Movements in allowance for impairment losses

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(2,618)**	**(37)**	**(7,420)**	**(10,075)**
Transfer				
to stage 2	**112**	**(112)**	**–**	**–**
to stage 3	**12**	**34**	**(46)**	**–**
Net reversal/(charge)	**694**	**(381)**	**(14,428)**	**(14,115)**
Write-offs and transfer out	**–**	**–**	**9,573**	**9,573**
Others	**(9)**	**–**	**–**	**(9)**
Balance as at 31 December 2021	**(1,809)**	**(496)**	**(12,321)**	**(14,626)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(2,054)	(265)	(1,794)	(4,113)
Transfer:				
to stage 2	10	(10)	–	–
to stage 3	17	262	(279)	–
Net charge	(591)	(24)	(9,069)	(9,684)
Write-offs and transfer out	–	–	3,712	3,712
Others	–	–	10	10
Balance as at 31 December 2020	(2,618)	(37)	(7,420)	(10,075)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Long-term receivables

	Note	31 December 2021	31 December 2020
Finance lease receivables	(1)	**142,383**	150,054
Less: unearned finance lease income		**(15,504)**	(17,932)
Present value of minimum finance lease receivables		**126,879**	132,122
Less: allowance for impairment losses	(2)	**(4,163)**	(4,269)
Total		**122,716**	127,853

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

	Note	31 December 2021	31 December 2020
Indefinite	(a)	**8,297**	5,295
Less than 1 year		**64,259**	56,235
1 year to 2 years		**31,031**	38,957
2 years to 3 years		**17,506**	20,855
3 years to 5 years		**13,008**	15,128
More than 5 years		**8,282**	13,584
Total		**142,383**	150,054

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

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Long-term receivables *(continued)*

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

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(1,177)**	**(1,826)**	**(1,266)**	**(4,269)**
Transfer:				
to stage 1	**(108)**	**51**	**57**	**–**
to stage 2	**100**	**(100)**	**–**	**–**
to stage 3	**31**	**851**	**(882)**	**–**
Net charge	**(385)**	**(294)**	**(2,166)**	**(2,845)**
Write-offs and transfer out	**–**	**–**	**2,835**	**2,835**
Others	**36**	**68**	**12**	**116**
Balance as at 31 December 2021	**(1,503)**	**(1,250)**	**(1,410)**	**(4,163)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(1,051)	(1,739)	(1,153)	(3,943)
Transfer:				
to stage 1	(9)	9	–	–
to stage 2	5	(5)	–	–
to stage 3	7	166	(173)	–
Net charge	(129)	(350)	(604)	(1,083)
Write-offs and transfer out	–	93	664	757
Balance as at 31 December 2020	(1,177)	(1,826)	(1,266)	(4,269)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.19 Property and equipment

	31 December 2021	31 December 2020
Property and equipment	53,461	51,123
Property and equipment to be disposed	5	6
Total	53,466	51,129

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.19 Property and equipment *(continued)*

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2021	21,114	4,285	8,634	491	36,175	2,946	73,645
Increase	1,177	435	659	22	4,619	1,258	8,170
CIP transfers	1	–	–	–	–	(1)	–
Decrease	(43)	(585)	(588)	(43)	(2,479)	–	(3,738)
Balance as at 31 December 2021	22,249	4,135	8,705	470	38,315	4,203	78,077
Accumulated depreciation							
Balance as at 1 January 2021	(5,059)	(2,913)	(6,917)	(408)	(6,955)	–	(22,252)
Increase	(677)	(536)	(500)	(25)	(1,742)	–	(3,480)
Decrease	7	589	557	41	425	–	1,619
Balance as at 31 December 2021	(5,729)	(2,860)	(6,860)	(392)	(8,272)	–	(24,113)
Impairment losses							
Balance as at 1 January 2021	–	–	–	–	(270)	–	(270)
Increase	–	–	–	–	(236)	–	(236)
Decrease	–	–	–	–	3	–	3
Balance as at 31 December 2021	–	–	–	–	(503)	–	(503)
Carrying amount							
Balance as at 1 January 2021	16,055	1,372	1,717	83	28,950	2,946	51,123
Balance as at 31 December 2021	16,520	1,275	1,845	78	29,540	4,203	53,461

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.19 Property and equipment *(continued)*

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2020	19,742	4,351	8,819	502	35,444	3,336	72,194
Increase	671	521	559	26	4,493	375	6,645
CIP transfers	724	–	–	–	–	(724)	–
Decrease	(23)	(587)	(744)	(37)	(3,762)	(41)	(5,194)
Balance as at 31 December 2020	21,114	4,285	8,634	491	36,175	2,946	73,645
Accumulated depreciation							
Balance as at 1 January 2020	(4,365)	(2,886)	(7,043)	(414)	(5,893)	–	(20,601)
Increase	(695)	(606)	(579)	(29)	(1,776)	–	(3,685)
Decrease	1	579	705	35	714	–	2,034
Balance as at 31 December 2020	(5,059)	(2,913)	(6,917)	(408)	(6,955)	–	(22,252)
Impairment losses							
Balance as at 1 January 2020	–	–	–	–	(236)	–	(236)
Increase	–	–	–	–	(127)	–	(127)
Decrease	–	–	–	–	93	–	93
Balance as at 31 December 2020	–	–	–	–	(270)	–	(270)
Carrying amount							
Balance as at 1 January 2020	15,377	1,465	1,776	88	29,315	3,336	51,357
Balance as at 31 December 2020	16,055	1,372	1,717	83	28,950	2,946	51,123

As at 31 December 2021 and 31 December 2020, the Group did not have any property and equipment which were acquired by means of finance lease or held for sale.

As at 31 December 2021, there were still certain properties and buildings, with a carrying value of RMB487 million (31 December 2020: RMB888 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.20 Lease contract

(1) Right-of-use assets

	Buildings	Motor vehicles	Office equipment and Others	Land use rights	Total
Original cost					
Balance as at 1 January 2021	15,984	359	64	4,643	21,050
Increase	3,531	–	6	3	3,540
Decrease	(1,838)	(359)	(6)	–	(2,203)
Balance as at 31 December 2021	17,677	–	64	4,646	22,387
Accumulated depreciation/ amortization					
Balance as at 1 January 2021	(5,441)	(97)	(20)	(1,161)	(6,719)
Increase	(3,053)	(136)	(7)	(116)	(3,312)
Decrease	1,513	233	3	–	1,749
Balance as at 31 December 2021	(6,981)	–	(24)	(1,277)	(8,282)
Carrying amount					
Balance as at 1 January 2021	10,543	262	44	3,482	14,331
Balance as at 31 December 2021	10,696	–	40	3,369	14,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.20 Lease contract *(continued)*

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

	Buildings	Motor vehicles	Office equipment and Others	Land use rights	Total
Original cost					
Balance as at 1 January 2020	13,578	355	25	4,484	18,442
Increase	3,571	6	44	159	3,780
Decrease	(1,165)	(2)	(5)	–	(1,172)
Balance as at 31 December 2020	15,984	359	64	4,643	21,050
Accumulated depreciation/ amortization					
Balance as at 1 January 2020	(2,765)	(93)	(6)	(1,033)	(3,897)
Increase	(3,309)	(5)	(16)	(128)	(3,458)
Decrease	633	1	2	–	636
Balance as at 31 December 2020	(5,441)	(97)	(20)	(1,161)	(6,719)
Carrying amount					
Balance as at 1 January 2020	10,813	262	19	3,451	14,545
Balance as at 31 December 2020	10,543	262	44	3,482	14,331

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.20 Lease contract *(continued)*

(2) Lease liabilities

	31 December 2021	31 December 2020
Lease liabilities	**10,225**	10,267

As at 31 December 2021, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB53 million (31 December 2020: RMB82 million).

4.21 Deferred income tax assets and liabilities

(1) Deferred income tax items

	31 December 2021	31 December 2020
Deferred income tax assets	**51,904**	50,033
Deferred income tax liabilities	**(247)**	(117)
Total	**51,657**	49,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

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

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

	31 December 2021		31 December 2020	
	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	49,521	198,088	47,682	190,728
Employee benefits payable	3,136	12,544	2,639	10,556
Fair value losses of derivatives	6,500	26,000	10,586	42,344
Fair value losses of financial assets at fair value through other comprehensive income	106	424	676	2,704
Financial assets at fair value through profit or loss	484	1,936	205	820
Others	399	1,618	328	1,312
Subtotal	60,146	240,610	62,116	248,464
Deferred income tax liabilities				
Fair value gains of derivatives	(6,817)	(27,267)	(10,445)	(41,780)
Fair value gain of financial assets at fair value through other comprehensive income	(322)	(1,288)	(184)	(736)
Financial assets at fair value through profit or loss	(1,054)	(4,215)	(1,432)	(5,728)
Others	(296)	(1,186)	(139)	(556)
Subtotal	(8,489)	(33,956)	(12,200)	(48,800)
Deferred income tax assets, net	51,657	206,654	49,916	199,664

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

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

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

	Asset impairment allowance	Fair value changes	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
Balance as at 1 January 2021	**47,682**	**11,467**	**2,967**	**62,116**	**(12,200)**
Recognised in profit or loss	**1,839**	**(3,802)**	**568**	**(1,395)**	**3,852**
Recognised in other comprehensive income	**–**	**(575)**	**–**	**(575)**	**(141)**
Balance as at 31 December 2021	**49,521**	**7,090**	**3,535**	**60,146**	**(8,489)**
Balance as at 1 January 2020	38,462	5,036	2,851	46,349	(10,424)
Recognised in profit or loss	9,220	5,743	116	15,079	(2,350)
Recognised in other comprehensive income	–	688	–	688	574
Balance as at 31 December 2020	47,682	11,467	2,967	62,116	(12,200)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Investment in subsidiaries

(1) Directly held subsidiaries

	31 December 2021	31 December 2020
Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing")	**3,302**	3,302
CMBC International Holdings Limited ("CMBC International")	**3,494**	2,494
Minsheng Royal Fund Limited ("Minsheng Royal Fund")	**190**	190
Pengzhou Rural Bank Co., Ltd. ("Pengzhou Rural Bank")	**20**	20
Cixi Rural Bank Co., Ltd. ("Cixi Rural Bank")	**107**	107
Songjiang Rural Bank Co., Ltd. ("Songjiang Rural Bank")	**70**	70
Qijiang Rural Bank Co., Ltd. ("Qijiang Rural Bank")	**30**	30
Tongnan Rural Bank Co., Ltd. ("Tongnan Rural Bank")	**25**	25
Meihekou Rural Bank Co., Ltd. ("Meihekou Rural Bank")	**169**	169
Ziyang Rural Bank Co., Ltd. ("Ziyang Rural Bank")	**172**	172
Jiangxia Rural Bank Co., Ltd. ("Jiangxia Rural Bank")	**41**	41
Changyuan Rural Bank Co., Ltd. ("Changyuan Rural Bank")	**26**	26
Yidu Rural Bank Co., Ltd. ("Yidu Rural Bank")	**26**	26
Jiading Rural Bank Co., Ltd. ("Jiading Rural Bank")	**102**	102
Zhongxiang Rural Bank Co., Ltd. ("Zhongxiang Rural Bank")	**36**	36
Penglai Rural Bank Co., Ltd. ("Penglai Rural Bank")	**51**	51
Anxi Rural Bank Co., Ltd. ("Anxi Rural Bank")	**74**	74

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Investment in subsidiaries *(continued)*

(1) Directly held subsidiaries *(continued)*

	31 December 2021	31 December 2020
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	52	52
Taicang Rural Bank Co., Ltd. ("Taicang Rural Bank")	76	76
Ningjin Rural Bank Co., Ltd. ("Ningjin Rural Bank")	20	20
Zhangpu Rural Bank Co., Ltd. ("Zhangpu Rural Bank")	25	25
Puer Rural Bank Co., Ltd. ("Puer Rural Bank")	15	15
Jinghong Rural Bank Co., Ltd. ("Jinghong Rural Bank")	60	60
Zhidan Rural Bank Co., Ltd. ("Zhidan Rural Bank")	7	7
Ningguo Rural Bank Co., Ltd. ("Ningguo Rural Bank")	20	20
Yuyang Rural Bank Co., Ltd. ("Yuyang Rural Bank")	25	25
Guichi Rural Bank Co., Ltd. ("Guichi Rural Bank")	26	26
Tiantai Rural Bank Co., Ltd. ("Tiantai Rural Bank")	31	31
Tianchang Rural Bank Co., Ltd. ("Tianchang Rural Bank")	20	20
Tengchong Rural Bank Co., Ltd. ("Tengchong Rural Bank")	20	20
Xiang'an Rural Bank Co., Ltd. ("Xiang'an Rural Bank")	36	36
Linzhi Rural Bank Co., Ltd. ("Linzhi Rural Bank")	13	13
Total	8,381	7,381

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For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries

Name	Note	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing		Tianjin China	Leasing	RMB 5,095 million	54.96%	54.96%
CMBC International	(a)	Hong Kong China	Investment banking	HKD 4,207.3 million	100.00%	100.00%
Minsheng Royal Fund		Guangdong China	Fund management	RMB 300 million	63.33%	63.33%
Pengzhou Rural Bank	(b)	Sichuan China	Commercial bank	RMB 55 million	36.36%	36.36%
Cixi Rural Bank		Zhejiang China	Commercial bank	RMB 189 million	64.68%	64.68%
Songjiang Rural Bank	(b)	Shanghai China	Commercial bank	RMB 150 million	35.00%	35.00%
Qijiang Rural Bank	(c)	Chongqing China	Commercial bank	RMB 61.57 million	48.73%	51.27%
Tongnan Rural Bank	(b)	Chongqing China	Commercial bank	RMB 50 million	50.00%	50.00%
Meihekou Rural Bank		Jilin China	Commercial bank	RMB 193 million	95.36%	95.36%
Ziyang Rural Bank		Sichuan China	Commercial bank	RMB 211 million	81.41%	81.41%
Jiangxia Rural Bank		Hubei China	Commercial bank	RMB 86 million	51.00%	51.00%
Changyuan Rural Bank		Henan China	Commercial bank	RMB 50 million	51.00%	51.00%

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Investment in subsidiaries *(continued)*

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

Name	Note	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Yidu Rural Bank		Hubei China	Commercial bank	RMB 52.4 million	51.00%	51.00%
Jiading Rural Bank		Shanghai China	Commercial bank	RMB 200 million	51.00%	51.00%
Zhongxiang Rural Bank		Hubei China	Commercial bank	RMB 70 million	51.00%	51.00%
Penglai Rural Bank		Shandong China	Commercial bank	RMB 100 million	51.00%	51.00%
Anxi Rural Bank		Fujian China	Commercial bank	RMB 128 million	57.99%	57.99%
Funing Rural Bank		Jiangsu China	Commercial bank	RMB 85 million	51.00%	51.00%
Taicang Rural Bank		Jiangsu China	Commercial bank	RMB 135 million	51.00%	51.00%
Ningjin Rural Bank		Hebei China	Commercial bank	RMB 40 million	51.00%	51.00%
Zhangpu Rural Bank		Fujian China	Commercial bank	RMB 50 million	51.00%	51.00%
Puer Rural Bank		Yunnan China	Commercial bank	RMB 30 million	51.00%	51.00%
Jinghong Rural Bank		Yunnan China	Commercial bank	RMB 75 million	80.40%	80.40%
Zhidan Rural Bank		Shaanxi China	Commercial bank	RMB 15 million	51.00%	51.00%

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For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Investment in subsidiaries *(continued)*

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

Name	Note	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Ningguo Rural Bank		Anhui China	Commercial bank	RMB 40 million	51.00%	51.00%
Yuyang Rural Bank	(d)	Shaanxi China	Commercial bank	RMB 50 million	51.00%	51.00%
Guichi Rural Bank		Anhui China	Commercial bank	RMB 50 million	51.00%	51.00%
Tiantai Rural Bank		Zhejiang China	Commercial bank	RMB 60 million	51.00%	51.00%
Tianchang Rural Bank		Anhui China	Commercial bank	RMB 40 million	51.00%	51.00%
Tengchong Rural Bank		Yunnan China	Commercial bank	RMB 48 million	51.00%	51.00%
Xiang'an Rural Bank		Fujian China	Commercial bank	RMB 70 million	51.00%	51.00%
Linzhi Rural Bank		Tibet China	Commercial bank	RMB 25 million	51.00%	51.00%

(a) In 2021, the Bank increased the capital of CMBC International by HKD 1,207.3 million, and the paid-up capital of CMBC International increased from HKD 3,000 million to HKD 4,207.3 million. As at 31 December 2021, the Bank held 100% of CMBC International.

(b) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are treated as the Bank's subsidiaries and have been consolidated in these financial statements.

(c) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

(d) In 2020, Yuyang Rural Bank converted RMB4 million retained earnings to paid-up capital through the distribution of new shares, and increased its paid-in capital from RMB50 million to RMB54 million. After the increase of capital, the Bank's ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2021, the registered capital of Yuyang Rural Bank was still RMB50 million as it had not completed the registration of changes with industry and commerce authorities.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.22 Investment in subsidiaries *(continued)*

(3) Investment in associates

	31 December 2021	31 December 2020
Investment in associates	**2**	2

4.23 Other assets

	Note	31 December 2021	31 December 2020
Items in the process of clearance and settlement		**13,384**	12,728
Interest receivable	(1)	**7,822**	8,240
Investment properties		**5,655**	6,429
Foreclosed assets	(2)	**5,471**	6,180
Prepayments for leased assets	(3)	**5,279**	8,280
Other debt receivables and advances		**4,518**	5,423
Fee and commission receivable		**3,351**	3,685
Intangible assets	(4)	**1,917**	1,456
Prepayment		**1,669**	1,060
Legal costs receivable		**1,245**	1,378
Continuously involved assets		**1,038**	1,038
Long-term deferred expenses		**586**	146
Goodwill	(5)	**188**	193
Operating lease receivable		**163**	471
Others		**5,631**	5,230
Subtotal		**57,917**	61,937
Less: allowance for impairment losses			
– Repossessed assets		**(731)**	(131)
– Others		**(3,333)**	(3,916)
Total		**53,853**	57,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.23 Other assets *(continued)*

(1) Interest receivable

	31 December 2021	31 December 2020
Loans and advances to customers	6,000	5,671
Financial investments and others	1,822	2,569
Total	7,822	8,240

(2) Foreclosed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB1,588 million for the year ended 31 December 2021 (Year ended 31 December 2020: RMB4,066 million).

(3) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.23 Other assets *(continued)*

(4) Intangible assets

	Year ended 31 December 2021	Year ended 31 December 2020
Cost		
Balance as at 1 January	**5,576**	4,837
Increase	**1,087**	739
Decrease	**(4)**	–
Balance as at 31 December	**6,659**	5,576
Accumulated amortization		
Balance as at 1 January	**(4,120)**	(3,581)
Increase	**(625)**	(539)
Decrease	**3**	–
Balance as at 31 December	**(4,742)**	(4,120)
Carrying amount		
Balance as at 1 January	**1,456**	1,256
Balance as at 31 December	**1,917**	1,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.23 Other assets *(continued)*

(5) Goodwill arising from CMBC Financial holdings

	Year ended 31 December 2021	Year ended 31 December 2020
Balance as at 1 January	**193**	206
Exchange difference	**(5)**	(13)
Balance as at 31 December	**188**	193

As at 31 December 2021 and 31 December 2020, the Group was not aware of any indicators for the possibility of goodwill impairment, hence no impairment loss was recognised.

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.24 Allowances for impairment losses

		Year ended 31 December 2021				
	Note 4	Balances as at 1 January 2021	Net charge for the year	Write-offs and transfer out	Other	Balance as at 31 December 2021
Balances with banks and other financial institutions	12	662	4	(658)	–	8
Placements with banks and other financial institutions	13	972	617	–	–	1,589
Financial assets held under resale agreements	15	4	16	–	–	20
Loans and advances to customers	16	97,637	58,660	(54,840)	3,651	105,108
Financial investments	17	12,204	14,692	(9,645)	(52)	17,199
Long-term receivables	18	4,269	2,845	(2,835)	(116)	4,163
Property and equipment	19	270	236	–	(3)	503
Other assets	23	4,047	1,695	(1,640)	(38)	4,064
Total		120,065	78,765	(69,618)	3,442	132,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.24 Allowances for impairment losses *(continued)*

		Year ended 31 December 2020				
	Note 4	Balances as at 1 January 2020	Net charge for the year/ (Reversal)	Write-offs and transfer out	Other	Balances as at 31 December 2020
Balances with banks and other financial institutions	12	346	316	–	–	662
Placements with banks and other financial institutions	13	503	469	–	–	972
Financial assets held under resale agreements	15	9	(5)	–	–	4
Loans and advances to customers	16	84,647	76,990	(67,110)	3,110	97,637
Financial investments	17	5,175	10,884	(3,842)	(13)	12,204
Long-term receivables	18	3,943	1,083	(757)	–	4,269
Property and equipment	19	236	127	(93)	–	270
Other assets	23	1,879	5,126	(2,953)	(5)	4,047
Total		96,738	94,990	(74,755)	3,092	120,065

(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.25 Deposits and placements from banks and other financial institutions

	31 December 2021	31 December 2020
China mainland		
Banks	**168,846**	315,476
Other financial institutions	**1,054,415**	665,224
Overseas		
Banks	**26,297**	51,308
Other financial institutions	**37,523**	33,397
Subtotal	**1,287,081**	1,065,405
Interest accrued	**7,277**	4,316
Total	**1,294,358**	1,069,721

4.26 Borrowings from banks and other financial institutions

	31 December 2021	31 December 2020
Unsecured borrowings	**96,859**	108,917
Borrowings secured by		
– Tangible assets and monetary assets	**16,853**	21,262
Subtotal	**113,712**	130,179
Interest accrued	**749**	839
Total	**114,461**	131,018

As at 31 December 2021 and 31 December 2020, the secured borrowings were secured by property and equipment and finance lease receivables as collateral; the above collateral has been included in the disclosure of Assets pledged (Note 6.3(1)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.27 Financial assets sold under repurchase agreements

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

	31 December 2021	31 December 2020
Bonds	12,828	43,714
Discounted bills	23,537	21,192
Including: bills rediscounted	23,537	18,403
Subtotal	36,365	64,906
Interest accrued	120	412
Total	36,485	65,318

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.28 Deposits from customers

	31 December 2021	31 December 2020
Demand deposits		
– Corporate customers	**1,215,239**	1,287,743
– Personal customers	**248,459**	243,780
Time deposits (including call and notice deposits)		
– Corporate customers	**1,728,774**	1,673,874
– Personal customers	**576,964**	514,932
Certificates of deposit	**3,365**	2,929
Outward remittance and remittance payables	**2,960**	4,916
Subtotal	**3,775,761**	3,728,174
Interest accrued	**49,932**	39,977
Total	**3,825,693**	3,768,151

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

	31 December 2021	31 December 2020
Pledged deposits for bank acceptances	**121,906**	96,282
Pledged deposits for letters of credit and guarantees	**17,663**	16,742
Other pledged deposits	**53,510**	52,269
Total	**193,079**	165,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.29 Provisions

	31 December 2021	31 December 2020
Credit loss of off-balance sheet credit commitments	**1,834**	1,885
Litigation provision	**343**	136
Others	**73**	–
Total	**2,250**	2,021

The movements of credit loss of off-balance sheet assets are as follows:

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	**(1,619)**	**(221)**	**(45)**	**(1,885)**
Transfer:				
to stage 1	**(61)**	**42**	**19**	**–**
to stage 2	**58**	**(138)**	**80**	**–**
to stage 3	**14**	**1**	**(15)**	**–**
Net reversal/(charge)	**323**	**(208)**	**(122)**	**(7)**
Other movements	**58**	**–**	**–**	**58**
Balance as at 31 December 2021	**(1,227)**	**(524)**	**(83)**	**(1,834)**

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.29 Provisions *(continued)*

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

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(1,407)	(22)	(24)	(1,453)
Transfer:				
to stage 1	(8)	5	3	–
to stage 2	9	(10)	1	–
to stage 3	4	6	(10)	–
Net charge	(179)	(200)	(15)	(394)
Others	(38)	–	–	(38)
Balance as at 31 December 2020	(1,619)	(221)	(45)	(1,885)

4.30 Debt securities issued

	Note	**31 December 2021**	31 December 2020
Certificates of interbank deposit		**497,558**	713,953
Financial bonds	(1)	**79,998**	83,992
Tier-two capital bonds	(2)	**119,967**	139,951
Medium-term and short-term notes	(3)	**10,161**	12,056
Subordinated bonds	(4)	**–**	3,996
Subtotal		**707,684**	953,948
Interest accrued		**3,340**	3,932
Total		**711,024**	957,880

For the years ended 31 December 2021 and 2020, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.30 Debt securities issued *(continued)*

(1) Financial bonds

	Note	31 December 2021	31 December 2020
RMB 30 billion-3-year fixed rate financial bonds 2021	(a)	**30,000**	–
RMB 30 billion-3-year fixed rate financial bonds 2021	(b)	**29,999**	–
RMB 20 billion-3-year fixed rate financial bonds 2020	(c)	**19,999**	19,998
RMB 20 billion-3-year fixed rate financial bonds 2018	(d)	**–**	19,998
RMB 40 billion-3-year fixed rate financial bonds 2018	(e)	**–**	39,997
RMB 4 billion-3-year fixed rate financial bonds 2018	(f)	**–**	3,999
Total		**79,998**	83,992

(a) RMB30 billion worth of fixed-rate financial bonds were issued at 8 December 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.

(b) RMB30 billion worth of fixed-rate financial bonds were issued at 10 November 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.

(c) RMB20 billion worth of fixed-rate financial bonds were issued at 18 March 2020, with a term of three years, and a fixed coupon rate of 2.75% per annum.

(d) RMB20 billion worth of fixed-rate financial bonds were issued at 12 December 2018, with a term of three years, and a fixed coupon rate of 3.76% per annum. The Bank has repaid all of them on 14 December 2021.

(e) RMB40 billion worth of fixed-rate financial bonds were issued at 19 November 2018, with a term of three years, and a fixed coupon rate of 3.83% per annum. The Bank has repaid all of them on 22 November 2021.

(f) RMB4 billion worth of fixed-rate financial bonds were issued at 21 May 2018, with a term of three years, and a fixed coupon rate of 4.90% per annum. The Bank has repaid all of them on 23 May 2021.

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.30 Debt securities issued *(continued)*

(2) Tier-two capital bonds

	Note	31 December 2021	31 December 2020
RMB 50 billion-10-year fixed rate tier-two capital bonds 2020	(a)	**49,995**	49,999
RMB 40 billion-10-year fixed rate tier-two capital bonds 2019 1st tranche	(b)	**39,994**	39,993
RMB 15 billion-10-year fixed rate tier-two capital bonds 2017 1st tranche	(c)	**14,989**	14,987
RMB 15 billion-10-year fixed rate tier-two capital bonds 2017 2nd tranche	(d)	**14,989**	14,987
RMB 20 billion-10-year fixed rate tier-two capital bonds 2016	(e)	**–**	19,985
Total		**119,967**	139,951

(a) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued at 24 June 2020. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.

(b) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued at 27 February 2019. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(c) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 12 September 2017 as the 1st tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(d) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 27 November 2017 as the 2nd tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(e) Tier-two capital bonds with a nominal value of RMB20 billion, a term of 10 years, and a fixed coupon rate of 3.50% per annum, were issued at 30 August 2016. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank has repaid all of them on 31 August 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the consolidated financial statements (continued)

4.30 Debt securities issued *(continued)*

(3) Medium-term and short-term notes

	Note	31 December 2021	31 December 2020
2020-3-year medium-term notes	(a)	**3,182**	3,262
2018-5-year medium-term notes	(b)	**3,824**	3,910
2017-5-year medium-term notes	(c)	**2,231**	2,280
2021 short-term notes	(d)	**924**	–
2018-3-year medium-term notes	(e)	**–**	2,604
Total		**10,161**	12,056

(a) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued on 22 October 2020, with a term of 3 years. The coupon rate is 1.03%.

(b) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued at 9 March 2018, with a term of 5 years. The coupon rate is 1.25%.

(c) Medium-term notes with a nominal value of USD0.35 billion of medium-term notes were issued at 11 September 2017, with a term of 5 years. The coupon rate is 1.20%.

(d) Three short-term notes with total nominal value of USD0.15 billion of short-term notes were issued in 2021. The original maturities of the notes vary from 3 months to 1 year, and the interest rate range is 1.00%-1.80%.

(e) Medium-term notes with a nominal value of USD0.4 billion of medium-term notes were issued at 9 March 2018, with a term of 3 years. The coupon rate is 3.50%. The Bank repaid all of them on 9 March 2021.

(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.30 Debt securities issued *(continued)*

(4) Subordinated bonds

	Note	31 December 2021	31 December 2020
RMB 4 billion-15-year subordinated fixed rate bonds 2011	(a)	–	3,996

(a) Subordinated bonds with a nominal value of RMB4 billion, a term of 15 years and a fixed coupon rate of 5.70% per annum, were issued at 18 March 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the tenth year to the maturity date. The Bank repaid all of them on 18 March 2021.

According to the issuance terms, the claims of the holders of subordinated bonds will be subordinated to the claims of general creditors, but prioritized over other equity instrument holders.

4.31 Other liabilities

	Note	31 December 2021	31 December 2020
Employee benefits payable	(1)	**12,907**	10,877
Items in the process of clearance and settlement		**8,773**	9,374
Lease payments received in advance		**8,334**	9,642
Notes payable		**6,410**	3,330
Other tax payable	(2)	**4,674**	4,390
Other payable		**2,406**	–
Output value added tax to be transferred		**2,054**	2,124
Continuously involved liabilities		**1,038**	1,038
Accrued expenses		**879**	836
Deferred fee and commission income		**671**	790
Intermediate collection and payment		**669**	1,225
Payable for long-term assets		**328**	430
Dividend payable		**53**	3
Others		**4,740**	3,524
Total		**53,936**	47,583

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.31 Other liabilities *(continued)*

(1) Employee benefits payable

	1 January 2021	Increase	Decrease	31 December 2021
Short-term employee benefits				
– Salaries, bonuses and allowances	10,347	24,136	(22,088)	12,395
– Staff welfare fees	–	1,601	(1,601)	–
– Social insurance(a) and supplementary insurance	162	953	(955)	160
– Housing fund	127	1,359	(1,388)	98
– Labour union fee, staff and workers' education fee	34	563	(557)	40
Subtotal	10,670	28,612	(26,589)	12,693
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	136	1,529	(1,541)	124
– Unemployment insurance	21	55	(57)	19
– Annuity scheme(b)	50	819	(798)	71
Subtotal	207	2,403	(2,396)	214
Total	10,877	31,015	(28,985)	12,907

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.31 Other liabilities *(continued)*

(1) Employee benefits payable *(continued)*

	1 January 2020	Increase	Decrease	31 December 2020
Short-term employee benefits				
– Salaries, bonuses and allowances	10,154	21,164	(20,971)	10,347
– Staff welfare fees	–	2,184	(2,184)	–
– Social insurance(a) and supplementary insurance	126	1,058	(1,022)	162
– Housing fund	160	1,290	(1,323)	127
– Labour union fee, staff and workers' education fee	28	568	(562)	34
Subtotal	10,468	26,264	(26,062)	10,670
Post-employment benefits-defined contribution plans				
– Basic pension insurance plans	118	943	(925)	136
– Unemployment insurance	20	40	(39)	21
– Annuity scheme(b)	57	995	(1,002)	50
Subtotal	195	1,978	(1,966)	207
Total	10,663	28,242	(28,028)	10,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the consolidated financial statements (continued)

4.31 Other liabilities *(continued)*

(1) Employee benefits payable *(continued)*

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

(b) For the year ended 31 December 2021, the contributions to the annuity schemes of the Bank and those subsidiaries were calculated at rates 4% of the employees' total annual salary (2020: 0% to 8%).

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

(2) Other tax payable

	31 December 2021	31 December 2020
Value added tax	**3,439**	3,287
Others	**1,235**	1,103
Total	**4,674**	4,390

4.32 Share capital and capital reserve

	31 December 2021	31 December 2020
Ordinary shares listed in China mainland (A shares)	**35,462**	35,462
Ordinary shares listed in Hong Kong (H shares)	**8,320**	8,320
Total shares	**43,782**	43,782

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

The Group's capital reserve of RMB58,149 million as at 31 December 2021 (31 December 2020: RMB57,419 million), mainly represents capital premium.

(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.33 Preference Shares

(1) Outstanding Preference Shares at 31 December 2021

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount million shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB 100/ Share	200	20,000	20,000	None	Mandatory	None
Total							20,000			
Less: Issue fees							(25)			
Book value							19,975			

(2) Offshore Preference Shares Main Clauses

(a) Dividend

Fixed rate for a certain period after issuance. Dividend is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the Preference Shares. Dividends will be paid annually.

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference Shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

(c) Dividend stopper

If the Bank cancels all or part of the dividends to the Preference Shareholders, the Bank shall not make any dividend distribution to ordinary shareholders before the Bank pays the dividends for the current dividend period to the Preference Shareholders in full.

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

4.33 Preference Shares *(continued)*

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

(d) Order of distribution and liquidation method

In current period, the USD Offshore Preference Shareholders are at the same order of compensation. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of Tier 2 capital bonds, holders of Perpetual Bonds and holders of other Tier 2 capital instruments of the Bank, but will be senior to the ordinary shareholders.

(e) Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. If Preference Shares were converted to ordinary H shares, it could not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBIRC has determined that the Bank would become nonviable if there is no conversion or write-down of capital; (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Bank would become nonviable), the Bank shall have the right to convert all Preference Shares into H shares without the consent of Preference Shareholders. If Preference Shares were converted to ordinary H shares, it could not be converted to Preference Shares again.

(f) Redemption

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Bank has right to redeem all or some of offshore preference shares in first call date and subsequent any dividend payment date. The first call date after issuance and subsequent any dividend payment date (redemption price is equal to issue price plus accrued dividend in current period).

The First Redemption Date of USD Preference Shares is five years after issuance.

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

4.33 Preference Shares *(continued)*

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

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders.

The Bank shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares).

(3) Domestic Preference Shares Main Clauses

(a) Dividend

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

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed and investors shall be informed in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.33 Preference Shares *(continued)*

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

(c) Dividend stopper

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

(d) Order of distribution and liquidation method

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

(e) Mandatory conversion trigger events

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

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

(f) Redemption

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

The Bank has the right to redeem all or part of the Domestic Preference Shares issued this time from the later 5 years of the Issuance Date (i.e. 15 October 2019) to the date of full conversion or full redemption.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.33 Preference Shares *(continued)*

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

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over common shareholders.

The dividend of the Domestic Preference Shares issued this time shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(4) Changes in preference shares outstanding

	1 January 2021		Decrease		31 December 2021	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Offshore Preference Shares[(i)]	72	9,892	(72)	(9,892)	–	–
Domestic Preference Shares	200	19,975	–	–	200	19,975

(i) Offshore preference shares have been redeemed on 14 December 2021.

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

4.34 Perpetual Bonds

(1) Outstanding Perpetual Bonds at 31 December 2021

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount million shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
2019 Undated Tier 1 Capital Bonds	30/05/2019	Equity	4.85%	100 RMB/ Note	400	40,000	40,000	None	None	None
Total							40,000			
Less: Issue fees							(7)			
Book value							39,993			
2021 Undated Tier 1 Capital Bonds										
– First Tranche	**19/04/2021**	**Equity**	**4.30%**	**100 RMB/ Note**	**300**	**30,000**	**30,000**	**None**	**None**	**None**
Total							**30,000**			
Less: Issue fees							**(4)**			
Book value							**29,996**			
Total							**69,989**			

4 Notes to the consolidated financial statements (continued)

4.34 Perpetual Bonds *(continued)*

(2) Main Clauses

(a) Principal Amount

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds – First Tranche RMB30 billion.

(b) Maturity Date

The Notes will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Notes 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 Notes will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on www.ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Note Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the Issuance of the Notes, the Issuer may redeem the Notes in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Notes no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some part of the Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.34 Perpetual Bonds *(continued)*

(2) Main Clauses *(continued)*

(e) Subordination

The claims in respect of the Notes, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Notes; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Issuer that rank pari passu with the Notes. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Notes and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Noteholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Notes, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Notes do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option is not applicable.

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.35 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the CBIRC, the preferred shares and perpetual bonds issued by the Bank has met the criteria for qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	31 December 2021	31 December 2020
Total equity attributable to equity holders of the Bank	**574,280**	529,537
Equity attributable to ordinary equity holders of the Bank	**484,316**	459,677
Equity attributable to other equity holders of the Bank	**89,964**	69,860
Total equity attributable to non-controlling interests	**12,259**	11,711
Equity attributable to non-controlling interests of ordinary shares	**12,259**	11,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.36 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, until the statutory surplus reserve reaches 50% of its registered capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group appropriated RMB3,364 million statutory surplus reserve for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB3,317 million).

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB414 million of profits to the general reserve for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB4,878 million).

(3) Retained earnings

As at 31 December 2021, the retained earnings included the statutory surplus reserve of RMB728 million contributed by the subsidiaries and attributable to the Bank (31 December 2020: RMB661 million). The surplus reserve of the subsidiaries attributable to the Bank included in the retained earnings cannot be distributed.

4.37 Non-controlling interests

As at 31 December 2021, the non-controlling interests in the subsidiaries were RMB12,259 million (31 December 2020: RMB11,711 million).

4 Notes to the consolidated financial statements (continued)

4.38 Dividends/Interests

(1) Dividends for Ordinary Shares

The Board of directors proposed the profit distribution plan for year 2021 in the meeting held on 29 March 2022. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividend declared was RMB2.13 (including tax) for every 10 shares. A total dividend of RMB9,326 million was based on the total number of shares of 43,782 million as at 31 December 2021.

The shareholders approved the cash dividends distribution plan for 2020 at the Annual General Meeting on 11 June 2021. The cash dividends declared was RMB2.13 (tax inclusive) for every 10 shares. A total dividend of RMB9,326 million was based on total number of shares of 43,782 million as at 31 December 2020.

The shareholders approved the cash dividends distribution plan for 2019 at the Annual General Meeting on 29 June 2020. The cash dividends declared was RMB3.70 (tax inclusive) for every 10 shares. A total dividend of RMB16,199 million was based on total number of shares of 43,782 million as at 31 December 2019.

(2) Dividends for Preference Shares

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 27 August 2021, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax). The dividend payment date was 18 October 2021.

According to the resolution on the distribution of dividends for offshore preference shares passed at the Board of Directors' meeting held on 4 August 2021, dividend approved was amounted to RMB512 million (including tax), calculated at the initial annual dividend rate of 4.95% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 14 December 2021.

According to the resolution on the distribution of dividends for offshore preference shares passed at the Board of Directors' meeting held on 30 November 2020, dividend approved was amounted to RMB521 million (including tax), calculated at the initial annual dividend rate of 4.95% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 14 December 2020.

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 28 August 2020, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax). The dividend payment date was 19 October 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.38 Dividends/Interests *(continued)*

(3) Interests for Perpetual Bonds

On 2 June 2021, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved was amounted to RMB1,940 million (tax inclusive), calculated at the initial annual pay-out ratio of 4.85% (tax inclusive) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 27 May 2020, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved was amounted to RMB1,940 million (tax inclusive), calculated at the initial annual pay-out ratio of 4.85% (tax inclusive) before the first reset date pursuant to the terms and conditions of perpetual bonds.

4.39 Investment revaluation reserve and cash flow hedging reserve

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2021	**(1,740)**	**(24)**	**(1,764)**
Net changes in amount for the year	**2,313**	**17**	**2,330**
As at 31 December 2021	**573**	**(7)**	**566**

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2020	1,822	(3)	1,819
Net changes in amount for the year	(3,562)	(21)	(3,583)
As at 31 December 2020	(1,740)	(24)	(1,764)

(Expressed in millions of Renminbi, unless otherwise stated)

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

4.40 Notes to the consolidated cash flow statement

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	31 December 2021	31 December 2020
Cash (Note 4.11)	**5,292**	5,360
Surplus deposit reserves with central bank (Note 4.11)	**41,093**	63,799
Original maturity within 3 months:		
– Balances with banks and other financial institutions	**88,609**	48,559
– Placements with banks and other financial institutions	**28,424**	40,201
Total	**163,418**	157,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.41 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

(1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the year ended 31 December 2021, securitisation transactions of RMB7,484 million were transferred by the Group (2020: RMB2,023 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing financial assets

For the year ended 31 December 2021, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB32,963 million (2020: RMB43,993 million). The Group transferred substantially all the risks and rewards of these non-performing financial assets and therefore has derecognized them.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2021, the carrying amount of debt securities lent to counterparties was nil (31 December 2020: RMB100 million).

5 Segment information

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

5.1 Business segments

(a) Corporate banking — Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business.

(b) Retail banking — Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.

(c) Others — Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information *(continued)*

5.1 Business segments *(continued)*

	Year ended 31 December 2021			
	Corporate banking	Retail banking	Others	Total
Operating income	86,686	70,391	8,477	165,554
Net interest income	67,930	54,659	3,186	125,775
Include: inter-segment net interest income/ (expense)	22,533	(22,333)	(200)	–
Net fee and commission income	11,992	15,535	39	27,566
Net other income	6,764	197	5,252	12,213
Operating expenses	(13,986)	(20,178)	(17,017)	(51,181)
Credit impairment losses	(54,724)	(22,130)	(544)	(77,398)
Other impairment losses	(1,112)	(1)	(262)	(1,375)
Profit before income tax	16,864	28,082	(9,346)	35,600
Depreciation and amortisation	2,909	2,363	2,135	7,407
Capital expenditure	2,784	2,262	8,800	13,846

	As at 31 December 2021			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,475,982	1,765,982	658,918	6,900,882
Include: Investments in associates				2
Deferred income tax assets				51,904
Total assets				6,952,786
Segment liabilities	(4,640,062)	(945,879)	(780,059)	(6,366,000)
Deferred income tax liabilities				(247)
Total liabilities				(6,366,247)
Credit commitments	554,808	525,796	–	1,080,604

(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information *(continued)*

5.1 Business segments *(continued)*

	Year ended 31 December 2020			
	Corporate banking	Retail banking	Others	Total
Operating income	101,956	71,133	8,718	181,807
Net interest income	72,787	54,512	7,925	135,224
Include: inter-segment net interest income/ (expense)	8,234	(18,198)	9,964	–
Net fee and commission income	11,287	15,959	418	27,664
Net other income	17,882	662	375	18,919
Operating expenses	(15,962)	(19,490)	(15,033)	(50,485)
Credit impairment losses	(62,133)	(29,838)	(1,017)	(92,988)
Other impairment losses	(1,500)	–	(128)	(1,628)
Profit before income tax	22,361	21,805	(7,460)	36,706
Depreciation and amortisation	4,340	3,030	504	7,874
Capital expenditure	1,906	1,330	8,570	11,806

	As at 31 December 2020			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,724,060	1,596,277	579,863	6,900,200
Include: Investments in associates				2
Deferred income tax assets				50,033
Total assets				6,950,233
Segment liabilities	(4,656,226)	(885,522)	(867,120)	(6,408,868)
Deferred income tax liabilities				(117)
Total liabilities				(6,408,985)
Credit commitments	648,256	522,494	–	1,170,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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5 Segment information *(continued)*

5.2 Geographical segments

The Group mainly operates in China mainland, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also has a number of subsidiaries in China mainland and has one branch and subsidiaries in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
Northeastern Region	Including branches in Liaoning Province, Jilin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shaanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

5 Segment information *(continued)*

5.2 Geographical segments *(continued)*

	Year ended 31 December 2021		As at 31 December 2021
	Operating income	Profit before income tax	Segment assets (1)
Head Office	54,768	4,438	3,060,640
Yangtze River Delta	28,453	12,634	1,236,380
Pearl River Delta	18,370	8,708	625,416
Bohai Rim	20,256	3,228	1,207,506
Northeastern Region	2,732	(210)	154,200
Central Region	15,696	969	502,893
Western Region	16,278	2,439	616,835
Overseas and subsidiaries	9,001	3,394	365,510
Inter-segment elimination	–	–	(868,498)
Total	165,554	35,600	6,900,882

	Year ended 31 December 2020		As at 31 December 2020
	Operating income	Profit before income tax	Segment assets (1)
Head Office	65,355	8,516	3,268,512
Yangtze River Delta	28,566	12,330	1,231,814
Pearl River Delta	19,721	9,339	623,945
Bohai Rim	22,501	3,152	1,172,780
Northeastern Region	2,701	(190)	141,960
Central Region	15,533	(1,756)	478,232
Western Region	18,363	936	570,617
Overseas and subsidiaries	9,067	4,379	377,884
Inter-segment elimination	–	–	(965,544)
Total	181,807	36,706	6,900,200

(1) Segment assets do not include deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6 Contingent liabilities and commitments

6.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

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

	31 December 2021	31 December 2020
Bank acceptances	**340,726**	403,532
Guarantees	**146,076**	158,889
Letters of credit	**77,382**	116,333
Unused credit card commitments	**491,370**	478,980
Irrevocable credit commitments		
– original maturity date within 1 year	**17,680**	9,862
– original maturity date over 1 year (inclusive)	**7,370**	3,154
Total	**1,080,604**	1,170,750

Details of credit loss of off-balance-sheet credit commitments (Note 4.29).

	31 December 2021	31 December 2020
Credit risk weighted amounts of credit commitments	**297,342**	320,848

(Expressed in millions of Renminbi, unless otherwise stated)

6 Contingent liabilities and commitments *(continued)*

6.2 Capital commitments

	31 December 2021	31 December 2020
Contracted but not paid for	**22,134**	15,775

6.3 Collateral

(1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

	31 December 2021	31 December 2020
Balances with banks and other financial institutions	**4,201**	7,951
Loans and advances to customers	**100,340**	140,780
Discounted bills	**23,739**	21,192
Bonds	**248,307**	278,664
Long-term receivables	**14,203**	25,486
Property and equipment	**8,405**	10,681
Others	**32**	1,526
Total	**399,227**	486,280

(2) Collateral accepted

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 31 December 2021, the fair value of the collateral that the Group had sold or lent to counterparties, but was obligated to return, was RMB632 million (31 December 2020: RMB758 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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6 Contingent liabilities and commitments *(continued)*

6.4 Underwriting of securities

As at 31 December 2021, there was no unexpired underwriting commitment for the Group (31 December 2020: Nil).

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 31 December 2021 was RMB1,888 million (31 December 2020: RMB1,454 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2021. With consideration of the professional advice, the Group's management believes that litigation matters will not have any material adverse effect on the Group financial position or operating results.

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7 Interests in structured entities

7.1 Consolidated structured entities

As at 31 December 2021 and 31 December 2020, the Group has no significant consolidated structured entities.

7.2 Unconsolidated structured entities

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

Unconsolidated structured entities sponsored by third party institutions include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	31 December 2021			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	1,347	220,181	43,503	265,031
Funds	191,011	–	–	191,011
Trust and asset management plans	12,860	76,724	–	89,584
Others	1,091	–	–	1,091
Total	206,309	296,905	43,503	546,717

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7 Interests in structured entities *(continued)*

7.2 Unconsolidated structured entities *(continued)*

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

	31 December 2020			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	304	227,833	75,062	303,199
Funds	190,744	–	–	190,744
Trust and asset management plans	12,343	133,800	–	146,143
Wealth management products	4,197	–	–	4,197
Others	1,157	–	–	1,157
Total	208,745	361,633	75,062	645,440

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

7 Interests in structured entities *(continued)*

7.2 Unconsolidated structured entities *(continued)*

(2) Interests held in structured entities sponsored and managed but not consolidated by the Group

Structured entities sponsored and managed but not consolidated by the Group primarily include non-principal guaranteed wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

In July 2020, the regulators announced the extension to the end of 2021 of the transition period set out in the *Guiding Opinions on Improving the Compliance of the Asset Management Operations of Financial Institutions*, encouraging financial institutions to adopt a combination of methods to dispose their existing portfolio, including assumption in the new products, market-oriented transfer, and/or recognition in the balance sheet. The Bank is moving steadily ahead with the relevant work to ensure the smooth transition and robust development of the asset and wealth management business. In 2021 and 2020, the Group undertook part of the wealth management investment assets from non-principal-guaranteed wealth management products issued in the Group's financial investments.

As at 31 December 2021, the balance of non-principal-guaranteed wealth management products sponsored and managed but not consolidated by the Group is RMB1,012,833 million (31 December 2020: RMB861,132 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB195,548 million (31 December 2020: RMB233,095 million).

For the year ended 31 December 2021, the amount of fee and commission income received from the above mentioned structured entities by the Group is RMB9,611 million (for the year ended 31 December 2020: RMB5,405 million). As at 31 December 2021 and 31 December 2020, the carrying amounts of commission receivable being recognised are not material in the statement of financial positions.

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8 Entrusted lending business

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

	31 December 2021	31 December 2020
Entrusted loans	**243,371**	222,672
Entrusted funds	**243,371**	222,672

9 Related parties

9.1 Related parties

(1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be individuals or enterprises.

Significant related parties of the Group include: members of the Board of Directors, members the Board of Supervisors, and senior management of the Head Office and branches, other people with decision-making authority or involved in the Bank's credit line determination and asset transfers, and the close members of the family of these individuals; controlling natural person shareholders, members of the Board of Directors and key management personnel of the Bank's related legal entities or other organizations (excluding the legal entities or other organizations that are under the direct, indirect or joint control of or under significant influence of the Bank's insiders, major natural person shareholders and their close members of the family); entities and their subsidiaries under the direct, indirect or joint control of the members of the Board of Directors, the Board of Supervisors, and senior management of the Head Office and branches, other people with decision-making authority or involved in the Bank's credit line determination and asset transfers, and the close members of the family of these individuals; major shareholders with the power to influence the Bank's operating or financial policies, and the entities controlled or jointly controlled by these major shareholders; and other natural persons, legal entities or organizations that have a significant influence on the Bank.

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9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders

Company name	Registered location	31 December 2021 No. of Shares of the Bank held by the Company (share)	31 December 2021 Proportion of shares of the Bank held by the Company (%)	31 December 2020 No. of Shares of the Bank held by the Company (share)	31 December 2020 Proportion of shares of the Bank held by the Company (%)	Business (a)	Legal form	Legal representative
Dajia Life Insurance Inc.	Beijing	**7,810,214,889**	**17.84**	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
China Oceanwide Holdings Group Co., Ltd.	Beijing	**1,803,182,618**	**4.12**	2,019,182,618	4.61	Commercial service	Limited company	Lu Zhiqiang
China Oceanwide International Investment Company Limited	Hong Kong	**8,237,520**	**0.02**	8,237,520	0.02	Investment holding	Limited company	(b)
Oceanwide International Equity Investment Limited	British Virgin Islands	**604,300,950**	**1.38**	604,300,950	1.38	Investment holding	Limited company	(b)
Long Prosper Capital Company Limited	British Virgin Islands	**138,442,500**	**0.32**	408,000,000	0.93	Investment holding	Limited company	(b)
Shanghai Giant Lifetech Co., Ltd.	Shanghai	**1,379,679,587**	**3.15**	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
Alpha Frontier Limited	Cayman Islands	**713,501,653**	**1.63**	713,501,653	1.63	Investment holding	Limited company	Zhang lv
Liberal Rise Limited	British Virgin Islands	**84,522,480**	**0.19**	84,522,480	0.19	Investment holding	Limited company	Shi Yuzhu
New Hope Liuhe Investment Co., Ltd.	Tibet	**1,828,327,362**	**4.18**	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Tibet	**343,177,327**	**0.78**	343,177,327	0.78	Retailing	Limited company	Li Jianxiong
Tongfang Guoxin Investment Co., Ltd.	Chongqing	**1,888,530,701**	**4.31**	1,888,530,701	4.31	Commercial service	Limited company	Liu Qinqin
Chongqing International Trust Co., Ltd.	Chongqing	**103,658,821**	**0.24**	113,091,421	0.26	Other financial industry	Joint stock limited company	Weng Zhenjie
China Shipowners Mutual Assurance Association	Shanghai	**1,324,284,453**	**3.02**	1,324,284,453	3.02	Insurance business	National social group	Song Chunfeng
Huaxia Life Insurance Co., Ltd. (c)	Tianjin	**2,148,793,436**	**4.91**	2,148,793,436	4.91	Insurance business	Joint stock limited company	Liu Hongjian
Orient Group Incorporation	Heilongjiang	**1,280,117,123**	**2.92**	1,280,117,123	2.92	Wholesaling	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Beijing	**35,000,000**	**0.08**	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
Good First Group Co., Ltd.	Shanghai	**249,340,026**	**0.57**	206,340,026	0.47	Wholesaling	Limited company	Wu Di
Tibet Rong Jie Corporate Management Co., Ltd.	Tibet	**145,849,600**	**0.33**	125,249,600	0.29	Commercial service	Limited company	Chen Zhenling
Tibet Fu Ju Investment Co., Ltd.	Tibet	**297,922,400**	**0.68**	340,922,400	0.78	Commercial service	Limited company	Wu Di
Tibet Heng Xun Corporate Management Co., Ltd.	Tibet	**105,844,780**	**0.24**	105,844,780	0.24	Commercial service	Limited company	Hong Zhihua

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For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations:

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

China Oceanwide Holdings Group Co., Ltd.: finance; real estate and investment management, etc.

China Oceanwide International Investment Co, Ltd.: investment holdings, etc.

Oceanwide International Equity Investment Limited: investment holdings, etc.

Long Prosper Capital Company Limited: investment holdings, etc.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale of pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

Alpha Frontier Limited：investment holdings, etc.

Liberal Rise Limited：investment holdings, etc.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, by products and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations *(continued)*:

Tongfang Guoxin Investment Co., Ltd.: transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management; proprietary investments (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; corporate restructuring and M&A planning and advisory services (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Huaxia Life Insurance Co., Ltd.: life insurance, health insurance, accident insurance and other types of life insurance business, reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

Orient Group Incorporation: food procurement; import and export of goods (or technologies) (other than those prohibited by the state, and engagement in state-run trade or state-controlled projects permissible only after obtaining proper authorizations or licenses); foreign economic and technical cooperation; foreign project contracting; occupational intermediary; real estate property management; distribution of light construction materials, furniture, home decoration materials, construction machinery, hardware and electrical appliances, and sanitary wares; manufacturing and sales of electrical contact materials, development of silver-free contact related products; food sales, rice planting, high-quality seed cultivation, and related research and development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations *(continued)*:

Oriental Group Co., Ltd.: (Formerly Oriental Group Investment Holdings Co., Ltd.): project investment; investment management; real estate development; import and export agency; goods import and export; and economic and trade consulting, etc.

Good First Group Co., Ltd.: high-tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Rong Jie Corporate Management Co., Ltd.: business management services (excluding investment management and investment consulting); corporate image, promotion and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building and auxiliary materials and metal materials; sales of feed, fertilizer, rubber products, and raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs); investments in the medical industry (forbidden operations include: equity investments; fundraising through public offerings, absorption of public deposits, loans; public trading of securities investment products or financial derivative products; financial products, wealth management products and related derivative businesses). (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Fu Ju Investment Co., Ltd.: investments in commercial, agricultural, medical, entertainment and education industries (forbidden operations include: trust, financial asset management, and securities asset management business; also excluded: securities, insurance, funds, financial business and their restricted activities) (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(b) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are entities incorporated overseas, and are ultimately controlled by Mr. Lu Zhiqiang.

(c) As at 31 December 2021, Huaxia Life Insurance Co., Ltd. was no longer a major shareholder of the Bank.

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	31 December 2021	31 December 2020
Dajia Life Insurance Inc.	**RMB 30,790 million**	RMB 30,790 million
China Oceanwide Holdings Group Co., Ltd.	**RMB 20,000 million**	RMB 20,000 million
China Oceanwide International Investment Co., Ltd.	**HKD 1,548 million**	HKD 1,548 million
Oceanwide International Equity Investment Limited	**USD 0.05 million**	USD 0.05 million
Long Prosper Capital Company Limited	**USD 0.05 million**	USD 0.05 million
Shanghai Giant Lifetech Co., Ltd.	**RMB 245 million**	RMB 245 million
Alpha Frontier Limited	**USD 0.05 million**	USD 0.05 million
Liberal Rise Limited	**USD 0.05 million**	USD 0.05 million
New Hope Liuhe Investment Co., Ltd.	**RMB 577 million**	RMB 577 million
South Hope Industrial Co., Ltd.	**RMB 1,034 million**	RMB 1,034 million
Tongfang Guoxin Investment Co., Ltd.	**RMB 2,574 million**	RMB 2,574 million
Chongqing International Trust Co., Ltd.	**RMB 15,000 million**	RMB 15,000 million
China Shipowners Mutual Assurance Association	**RMB 0.10 million**	RMB 0.10 million
Huaxia Life Insurance Co., Ltd.	**RMB 15,300 million**	RMB 15,300 million
Orient Group Incorporation	**RMB 3,715 million**	RMB 3,715 million
Oriental Group Co., Ltd.	**RMB 1,000 million**	RMB 1,000 million
Good First Group Co., Ltd.	**RMB 133 million**	RMB 133 million
Tibet Rong Jie Corporate Management Co., Ltd.	**RMB 10 million**	RMB 10 million
Tibet Fu Ju Investment Co., Ltd.	**RMB 300 million**	RMB 300 million
Tibet Heng Xun Corporate Management Co., Ltd.	**RMB 10 million**	RMB 10 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.22.

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(4) Relationship with related parties

Company name	Relationship with the Bank
SHR FSST, LLC	Related party of Dajia Life Insurance Inc.
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
CHINA TONGHAI DCM LIMITED	Related party of China Oceanwide Holdings Group Co., Ltd.
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chengdu Hengjilong Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chengdu New Hope Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Guida Industrial Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Special Drive Education Management Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Hope Education Industry Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Wenzhou Xinjintian Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Jiang'an Dekang Feed Co., Ltd. (a)	Related party of New Hope Liuhe Investment Co., Ltd.
New Hope Dairy Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Yufu Highway Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Xiamen Jingding Sports Culture Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen University Electronic Information Technology Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Dazu Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(4) Relationship with related parties *(continued)*

Company name	Relationship with the Bank
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Tongxincheng Industry and Trade Co., Ltd.	Related party of Good First Group Co., Ltd.
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Zhangzhou Tangcheng Real Estate Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Hongfu Co., Ltd.	Related party of Good First Group Co., Ltd.
Orient Hope Baotou Rare Earth Aluminium Co., Ltd.	Related party of Orient Hope Group Co., Ltd.
Guangzhou Hanguohengsheng Real Estate Development Co., Ltd. (a)	Related party of the Bank's insiders
Wuhan Guanggu Transportation Construction Co., Ltd.	Related party of the Bank's insiders
Shandong Continental Enterprise Group Co., Ltd.	Related party of the Bank's insiders
Minsheng Real Estate Co., Ltd.	Companies funded by the Labour Union Committee of the Bank
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Neural Management of Comprehensive Channels Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Beijing Changrong Heyin Investment Management Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng Pension Co., Ltd.	Companies funded by the Labour Union Committee of the Bank and other companies
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Hongtai Keystone Asset Management Co., Ltd.	Companies funded by Labour Union Committee of credit card centre and related parties of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Companies funded by the Labour Union Committee of Beijing branch of the Bank

(a) As at 31 December 2021, the entities were no longer the related parties of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(5) Related natural persons

Related natural persons of the Group include: members of the Board of Directors, the Board of Supervisors, and senior management of the Head Office and branches, people with decision-making authority or involved in the Bank's credit line determination and asset transfers, and the close members of the family of these individuals; and the controlling natural person shareholders, members of the Board of Directors and key management personnel of the Bank's related legal entities or other organizations (excluding the legal entities or other organizations that are under direct, indirect or joint control of or under significant influence of the Bank's insiders, major natural person shareholders, and the close members of the family of these individuals). As at 31 December 2021, the Bank had a total of 33,619 related natural persons, including members of the Board of Directors and their close family members, totalling 196; supervisors and their close family members, totalling 130; senior Head Office executives and their close family members, totalling 151; and senior branch executives, those with decision-making authority or involved in the Bank's credit line determination and asset transfers and their close family members, totalling 32,472; the controlling natural person shareholders, directors and key management personnel of the Bank's related legal entities or other organizations and their close family members, totalling 673; and other natural persons with significant influence on the Bank and their close family members, totalling 130.

Note: The Bank's directors and their close family members included 35 persons who were also senior executives at the Head Office or their close family members, and 62 persons who were also the controlling natural person shareholders, directors, key management personnel of the Bank's related legal entities or other organizations or their close family members; and the Bank's supervisors and their close family members included 36 persons who were also senior executives at the Head Office or their close family members.

9.2 Related party transactions

(1) Material related party transactions

Material related party transactions refer to transactions with a related party where the amount of a single transaction with this related party exceeds 1% of the Bank's net capital, or the combined balance of transactions with this related party exceeds 5% of the Bank's net capital. In 2021, the Group, on normal commercial terms, provided a single loan in the amount of RMB15.70 billion to Dajia Life Insurance Inc., and the balance of the loan as at 31 December 2021 was RMB11.50 billion. In 2020, the Group, on normal commercial terms, provided a single loan in the amount of RMB15.00 billion to Dajia Life Insurance Inc., and the balance of the loan as at 31 December 2020 was RMB11.50 billion.

(2) Pricing policy

Transactions between the Group and related parties are mainly conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	31 December 2021	31 December 2020
Dajia Life Insurance Inc.	Pledged	11,500	11,500
Oceanwide Holding Co., Ltd.	Pledged/Collateralised/ Guaranteed	9,200	9,200
Chongqing Cibi Business Information Consulting Co., Ltd.	Pledged/Guaranteed	6,615	6,617
China Oceanwide Holdings Group Co., Ltd.	Pledged/Guaranteed	4,666	4,673
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/Guaranteed	4,383	7,514
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	3,972	3,972
UNITED ENERGY GROUP (HONG KONG) LIMITED	Guaranteed	3,099	3,455
Orient Group Incorporation	Pledged/Collateralised/ Guaranteed	3,086	3,110
Wuhan CBD Co., Ltd.	Collateralised/ Guaranteed	3,046	3,056
Oriental Group Co., Ltd.	Pledged/Guaranteed	2,336	2,095
Tongfang Guoxin Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,443	250
Wenzhou Xinjintian Real Estate Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,290	1,538
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/Guaranteed	1,000	N/A
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	900	1,147
Xiamen Jingding Sports Culture Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	795	770
Beijing Changrong Heyin Investment Management Co., Ltd.	Pledged	600	3,000
Xiamen Rongyin Co., Ltd.	Pledged/Collateralised/ Guaranteed	450	450
CHINA TONGHAI DCM LIMITED	Pledged/Guaranteed	335	505
Xiamen Hongfu Co., Ltd.	Guaranteed	299	–
Sichuan Hope Education Industry Group Co., Ltd.	Pledged	250	500
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	230	300
Wuhan Guanggu Transportation Construction Co., Ltd.	Pledged/Collateralised/ Guaranteed	195	N/A
Grass Green Group Co., Ltd.	Pledged/Guaranteed	179	–

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For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties *(continued)*

	Types of collateral	31 December 2021	31 December 2020
Shandong Continental Enterprise Group Co., Ltd.	Pledged/Collateralised/Guaranteed	175	N/A
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	150	350
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	150	150
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	150	–
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/Guaranteed	148	149
Zhangzhou Tangcheng Real Estate Co., Ltd.	Pledged/Collateralised/Guaranteed	116	316
New Hope Dairy Co., Ltd.	Pledged	115	–
Nanjing Ruichi Trade Co., Ltd.	Collateralised	8	N/A
Jiangsu Wanshun Tongbao Culture Co., Ltd.	Collateralised	6	N/A
Sichuan Dingen International Trade Co., Ltd.	Collateralised	2	N/A
Shandong Yihe Yimei Home Technology Co., Ltd.	Guaranteed	2	2
Quanzhou Haoyang Trade Co., Ltd.	Collateralised	1	N/A
Chengdu Hengjilong Real Estate Co., Ltd.	Pledged/Collateralised/Guaranteed	–	1,000
SHR FSST, LLC	Collateralised	–	582
Xiamen Tongxincheng Industry and Trade Co., Ltd.	Pledged/Guaranteed	–	372
Orient Hope Baotou Rare Earth Aluminium Co., Ltd.	Guaranteed	–	300
Xiamen University Electronic Information Technology Co., Ltd.	Pledged/Guaranteed	–	200
Xiamen Dazu Real Estate Development Co., Ltd.	Pledged/Collateralised/Guaranteed	–	200
Chongqing Yufu Highway Co., Ltd.	Pledged	–	6
Guangzhou Hanguohengsheng Real Estate Development Co., Ltd. (a)	Pledged/Collateralised/Guaranteed	N/A	440
Jiang'an Dekang Feed Co., Ltd. (a)	Guaranteed	N/A	50
Individuals	Collateralised/Guaranteed	2,822	834
Total		63,714	68,603
Ratio to similar transactions (%)		1.61	1.81
Interest rate ranges		3.16%-8.95%	3.80%-8.95%

(a) As at 31 December 2021, the entities were no longer a related parties of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties *(continued)*

Amount of transactions:

	Year ended 31 December 2021	2020
Interest income from loans	**4,209**	4,265
Ratio to similar transactions (%)	**2.22**	2.22

As at 31 December 2021 and 31 December 2020, none of the above loans is impaired.

(4) Other transactions with related parties

Balances as at the end of the reporting period:

	31 December 2021		31 December 2020	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost (a)	**7,609**	**0.59**	2,704	0.20
– Financial assets at fair value through other comprehensive income	**706**	**0.16**	1,633	0.35
Long-term receivables	**401**	**0.33**	527	0.41
Balances with banks and other financial institutions	**–**	**–**	87	0.17
Deposits and placements from banks and other financial institutions	**12,975**	**1.00**	5,617	0.53
Deposits from customers	**32,357**	**0.85**	40,143	1.07

(a) As at 31 December 2021 and 31 December 2020, the related party transaction of a financial asset measured at amortized cost between the Group and Minsheng Pension Co., Ltd. had an overdue amount of RMB600 million. The Group had made an impairment allowance of RMB110 million for these financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

Amount of transactions:

	Year ended 31 December			
	2021		2020	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Interest income	**433**	**0.16**	279	0.10
Interest expense	**1,540**	**1.01**	1,635	1.08
Fee and commission income (a)	**251**	**0.76**	383	1.16
Operating expenses (b)	**2,786**	**5.66**	2,129	4.40

(a) It mainly represents the Group's income from agency sales of insurance products entered into between the Group and Dajia Life Insurance Inc. and Huaxia Life Insurance Co., Ltd., and the income from agency sales of trust products entered into between the Group and Chongqing International Trust Co., Ltd.

(b) Operating expenses of the Group were mainly for financial business outsourcing service and procurement service provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service provided by Minsheng Real Estate Co., Ltd. and its related parties, technology development service provided by Minsheng Fintech Co., Ltd., assets recovery service provided by Hongtai Keystone Asset Management Co., Ltd., business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd., and maintenance service of self-service cashier equipment provided by Neural Management of Comprehensive Channels Co., Ltd.

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

	31 December 2021	31 December 2020
Financial investments		
– Financial assets measured at amortised cost	**2.80%-6.74%**	4.10%-7.90%
– Financial assets at fair value through other comprehensive income	**5.25%-5.30%**	5.60%-6.00%
Long-term receivables	**3.62%-6.89%**	3.80%-4.75%
Balances with banks and other financial institutions	**N/A**	3.25%-3.70%
Deposits and placements from banks and other financial institutions	**0.00%-3.28%**	0.00%-4.00%
Deposits from customers	**0.00%-5.35%**	0.00%-5.20%

Balance of off-balance sheet items:

	31 December 2021		31 December 2020	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	**2,252**	**0.66**	2,115	0.49
Guarantees	**2,289**	**1.57**	2,117	1.33
Letters of credit	**350**	**0.45**	300	0.26
Unused credit card commitments	**1,150**	**0.23**	363	0.08

Balances of loans guaranteed by related parties:

	31 December 2021	31 December 2020
Loans guaranteed by related parties	**30,663**	37,120
Ratio to similar transactions (%)	**0.77**	0.98

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(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

For the year ended 31 December 2021, the original value of loans transferred between Beijing Changrong Heyin Investment Management Co., Ltd. and the Bank was RMB421 million (for the year ended 31 December 2020: RMB12,215 million), with the consideration of RMB395 million agreed upon by both parties (for the year ended 31 December 2020: RMB10,442 million). The risks and rewards of these loans have been fully transferred.

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2021 and 2020.

(6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB2.71 million as at 31 December 2021 (31 December 2020: RMB9.25 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB104 million for the year ended 31 December 2021 (2020: RMB113 million, the related salaries and benefits were restated in accordance with the Supplementary Announcement Regarding the Senior Management's Emoluments 2020 of China Minsheng Banking Crop., Ltd.). Of which, pre-tax compensations for the Executive Directors, Chairman of the Supervisory Board, Vice Chairman of the Supervisory Board and executive officers included RMB44 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2020: RMB34 million and no less than 50% respectively) in accordance with relevant state regulations. The exact amounts of these deferred payments shall be determined at the end of their respective tenure based on their performance. In the case of violations of laws and regulations, non-compliances with rules and requirements, and other actions as a senior officer of the Bank that have exposed the Bank to undue risks, the Bank will, depending on the circumstances, deduct the performance-based remuneration of the person for the corresponding period or up to all the performance-based remuneration for his/her entire term of office, in accordance with the Guidelines for Performance-Based Remuneration Recoupment Mechanisms of Banking and Insurance Institutions (Yin Bao Jian Ban Fa [2021] No. 17) issued by China Banking and Insurance Regulatory Commission (CBIRC) as well as relevant rules of the Bank. The Bank subscribed RMB9 million for supplementary pension insurance for the key management personnel in 2021 (2020: RMB10 million).

(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(7) Transactions between the Bank and its subsidiaries

Balances as at the end of the reporting period:

	31 December 2021	31 December 2020
Placements with banks and other financial institutions	**32,340**	25,485
Loans and advances to customers	**1,637**	1,838
Right-of-use assets	**37**	159
Other assets	**455**	329
Deposits and placements from banks and other financial institutions	**7,652**	9,461
Deposits from customers	**652**	270
Leasing liabilities	**37**	159
Other liabilities	**1,985**	1,158

Amount of transactions for the reporting period:

	Year ended 31 December	
	2021	2020
Interest income	**1,076**	823
Interest expense	**103**	120
Fee and commission income	**223**	223
Operating expenses	**75**	154
Other operating income	**1**	5

For the years ended 31 December 2021 and 2020, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 31 December 2021, the balance of the above transactions was RMB251 million (31 December 2020: RMB391 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10 Financial risk management

10.1 Financial risk management overview

In accordance with the Comprehensive Risk Management Framework of COSO and with the Comprehensive Risk Management Guidelines of CBIRC, risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

The Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing"), Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund"), CMBC International Holding Ltd. ("CMBC International") and 29 Rural banks. These subsidiaries are responsible for financial risk management in their respective businesses as separate entities. The financial risk arising from commercial banking was the most significant risk for the Group's operations. The Group formulated the "Administrative Measures of Subsidiaries of China Minsheng Banking Corporation Limited on Comprehensive Risk Management" to further enhance the risk management of these subsidiaries.

In response to new regulatory requirements and market changes as well as in light of the actual needs and current position, the Group sets its risk preferences, risk management strategies and risk policies, and takes a host of measures to ensure the risk preferences and policies are concretely implemented and complied with and strengthen the role of risk management in support of strategic decision-making, including improving its risk quantification tools and information systems, adopting and continuously improving its end-to-end risk control mechanisms and based on oversight and reviews of actual implementations, re-examining and optimising the risk preference funneling mechanisms, credit policies, limit management, and relevant systems and tools.

The Bank's Risk Management Committee, which operates under the Board of Directors, assists the Board in setting the Bank's risk preferences and risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing their effectiveness. In accordance with the risk preferences and management strategies, the Bank's senior management develops corresponding risk management policies and procedures and drives their implementation.

10 Financial risk management *(continued)*

10.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, problem asset professional management and collecting and other major methods for credit risk management.

After exhausting all necessary measures and implementing necessary procedures, the Group writes off the bad debts as determined in accordance with the criteria set out in the Group's write-off policy. For bad debts that have been written off, the Bank continues to make its best effort to recover them.

(1) Credit risk measurement

(a) Loans and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the CBIRC Guidelines for Risk Classification of Loans (the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

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For the year ended 31 December 2021
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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(1) Credit risk measurement *(continued)*

(a) Loans and credit commitments *(continued)*

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass:	The borrower can fulfil contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special-mention:	The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.
Sub-standard:	The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.
Doubtful:	The borrower cannot repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.
Loss:	After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

(b) Debt securities and other bills

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimise its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control personnel regularly analyse and continuously monitor the credit positions of issuers of debt securities still held by the Bank, and the operational staff will continue to optimise and adjust the investment portfolio based on the risk-mitigation recommendations.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(2) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on – and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitor actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and prevent and control customer concentration risks.

(a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

– Real estate and land use rights

– Financial instruments such as time deposits, debt securities and equities.

– Right to receive payments and accounts receivable

– Machinery and equipment

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collateral from counterparties/require additional guarantors or squeeze the credit line.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(2) Risk limit control and mitigation policies *(continued)*

(a) Collateral *(continued)*

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivative instruments

The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The Bank's exposure to credit risk of derivative instruments is limited to derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement

According to the new standard, the Group divided the financial instruments that require ECL provision recognition into three stages and applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortised cost or at fair value through other comprehensive income, as well as its loan commitments and financial guarantee contracts.

The Group adopts the parameters-based approach and the discounted cash flow ("DCF") method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

(a) Financial instrument risk stages

The Group applies a 'three-stage model' for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.

Stage 3: For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

(b) Criteria for significant increases in credit risk ("SICR")

Criteria for SICR include but are not limited to:

– The principal or interest is overdue for more than 30 days;

– Significant change in Probability of Default (PD);

– An actual or expected significant adverse change in the borrower's operating results or financial position that is expected to lead to a significant change in the borrower's ability to meet its debt repayment obligations;

– Changes or events with a significant negative impact on the solvency of the debtor;

– Other objective evidence of a significant increase in credit risk of financial asset.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(c) Definition of credit-impaired financial asset

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

– The principal or interest of a financial asset is overdue for more than 90 days;

– Significant financial difficulty of the issuer or obligor;

– A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

– The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;

– The debtor will probably enter bankruptcy or another financial reorganisation;

– The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;

– The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;

– Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

(d) Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, segmentation of portfolio is based on similar credit risk characteristics. Corporate financial assets of the Group are mainly grouped according to types of borrower and industry, while retail assets are mainly grouped based on product types.

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(e) Parameters for ECL measurement

Except for credit-impaired financial assets, according to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument. Expected credit losses are the weighted average of the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

– PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;

– LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;

– EAD refers to the total amount of on and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet risk conversion factor etc., and may vary by product types.

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the year-on-year growth rates of Gross Domestic Product (GDP), Consumer Price Index (CPI) and Broad Money Supply (M2). The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indictors for ECL calculation.

The Group determines the relationship between these economic variables and PD and LGD by building econometric model, so as to ascertain the impacts of historical changes in these variables on PD and LGD.

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(f) Forward-looking information incorporated in the ECL *(continued)*

As at 31 December 2021, the forecast values for 2022 for key economic indicators used by the Group are listed below:

– GDP – year on year percentage change: the predictive value in the neutral scenario in year 2022 is about 5.30%, and is 0.60 percentage higher in the positive scenario while 0.60 percentage lower in the negative scenario.

– CPI – year on year percentage change: the predictive value in the neutral scenario in year 2022 is about 1.70%, and is 0.30 percentage higher in the positive scenario while 0.30 percentage lower in the negative scenario.

– M2 – year on year percentage change: the predictive value in the neutral scenario in year 2022 is about 8.00%, and is 0.50 percentage higher in the positive scenario while 0.50 percentage lower in the negative scenario.

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

The Group combines macroeconomic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. As at 31 December 2021 and 31 December 2020, the positive, neutral and negative scenarios had similar weightings.

(g) Cash flow forecasts for Stage 3 corporate financial assets

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets.The DCF method calculates the impairment allowances based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(4) Maximum credit risk exposure

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	31 December 2021	31 December 2020
Balances with central bank	356,010	396,165
Balances with banks and other financial institutions	92,546	52,084
Derivative financial assets	27,461	42,285
Placements with banks and other financial institutions	158,768	221,908
Financial assets held under resale agreements	1,362	21,464
Loans and advances to customers	3,967,679	3,782,297
Financial investments		
– Financial assets at fair value through profit or loss	82,394	92,548
– Financial assets at fair value through other comprehensive income	427,204	466,092
– Financial assets measured at amortised cost	1,298,220	1,328,048
Long-term receivables	122,716	127,853
Other financial assets	36,209	43,617
Total	6,570,569	6,574,361
Off-balance sheet credit commitments	1,080,604	1,170,750
Maximum credit risk exposure	7,651,173	7,745,111

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(5) Analysis on the credit quality of financial instruments

(a) As at 31 December 2021, the credit risk stages of financial instruments at fair value through other comprehensive income and financial instruments at amortised cost are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	356,010	–	–	356,010	–	–	–	–
Balances with banks and other financial institutions	92,554	–	–	92,554	(8)	–	–	(8)
Placements with banks and other financial institutions	158,413	–	1,944	160,357	(411)	–	(1,178)	(1,589)
Financial assets held under resale agreements	841	–	541	1,382	–	–	(20)	(20)
Loans and advances to customers								
– Corporate loans and advances	2,134,955	138,247	51,658	2,324,860	(12,945)	(25,072)	(28,004)	(66,021)
– Personal loans and advances	1,669,322	48,632	28,671	1,746,625	(7,538)	(12,108)	(19,441)	(39,087)
Financial investments	1,682,275	13,717	44,058	1,740,050	(2,465)	(580)	(14,154)	(17,199)
Long-term receivables	107,739	13,152	5,988	126,879	(1,503)	(1,250)	(1,410)	(4,163)
Off-balance sheet credit commitments	1,076,774	3,571	259	1,080,604	(1,227)	(524)	(83)	(1,834)

(b) As at 31 December 2020, the credit risk stages of financial instruments at fair value through other comprehensive income and financial instruments at amortised cost are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	396,165	–	–	396,165	–	–	–	–
Balances with banks and other financial institutions	52,088	–	658	52,746	(4)	–	(658)	(662)
Placements with banks and other financial institutions	221,669	–	1,211	222,880	(233)	–	(739)	(972)
Financial assets held under resale agreements	21,468	–	–	21,468	(4)	–	–	(4)
Loans and advances to customers								
– Corporate loans and advances	2,124,967	111,402	42,259	2,278,628	(15,564)	(18,285)	(21,887)	(55,736)
– Personal loans and advances	1,519,169	49,636	31,406	1,600,211	(7,980)	(11,440)	(22,481)	(41,901)
Financial investments	1,775,621	1,973	26,621	1,804,215	(3,910)	(48)	(8,246)	(12,204)
Long-term receivables	123,257	6,242	2,623	132,122	(1,177)	(1,826)	(1,266)	(4,269)
Off-balance sheet credit commitments	1,162,113	5,737	2,900	1,170,750	(1,619)	(221)	(45)	(1,885)

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(6) Loans and advances to customers

(a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	31 December 2021	31 December 2020
Stage 1		
Unsecured loans	**965,895**	897,497
Guaranteed loans	**607,704**	593,863
Loans secured by		
Tangible assets other than monetary assets	**1,616,454**	1,595,387
Monetary assets	**588,431**	532,481
Subtotal	**3,778,484**	3,619,228
Stage 2		
Unsecured loans	**26,574**	29,840
Guaranteed loans	**43,259**	48,864
Loans secured by		
Tangible assets other than monetary assets	**86,316**	65,108
Monetary assets	**30,730**	17,226
Subtotal	**186,879**	161,038
Stage 3		
Unsecured loans	**17,840**	20,131
Guaranteed loans	**19,784**	19,000
Loans secured by		
Tangible assets other than monetary assets	**36,587**	25,812
Monetary assets	**6,118**	8,722
Subtotal	**80,329**	73,665
Total	**4,045,692**	3,853,931
Credit-impaired loans secured by collateral	**19,203**	16,986

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

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

(b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	31 December 2021		31 December 2020	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	514,854	12.73	486,805	12.63
Real estate	360,302	8.91	439,100	11.39
Manufacturing	348,542	8.62	302,273	7.84
Wholesale and retail	259,230	6.41	175,621	4.56
Water, environment and public utilities management	160,746	3.97	149,583	3.88
Transportation, storage and postal service	127,181	3.14	107,754	2.80
Financial services	117,470	2.90	204,646	5.31
Construction	112,875	2.79	109,693	2.85
Mining	88,396	2.18	104,342	2.71
Production and supply of electric power, heat, gas and water	86,436	2.14	69,380	1.80
Information transmission, software and IT services	44,566	1.10	30,101	0.78
Agriculture, forestry, animal husbandry and fishery	20,221	0.50	12,807	0.33
Accommodation and catering	13,891	0.34	16,127	0.42
Others	49,651	1.23	49,058	1.27
Subtotal	2,304,361	56.96	2,257,290	58.57
Personal loans and advances	1,741,331	43.04	1,596,641	41.43
Total	4,045,692	100.00	3,853,931	100.00

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

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

(c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	31 December 2021		31 December 2020	
	Amount	**(%)**	Amount	(%)
Head Office	**506,340**	**12.52**	548,060	14.22
Yangtze River Delta	**1,004,449**	**24.83**	928,337	24.09
Bohai Rim	**630,297**	**15.58**	618,101	16.04
Western Region	**616,229**	**15.23**	570,998	14.81
Pearl River Delta	**586,214**	**14.49**	523,433	13.58
Central Region	**508,645**	**12.57**	481,042	12.48
Northeastern Region	**97,272**	**2.40**	90,034	2.34
Overseas and subsidiaries	**96,246**	**2.38**	93,926	2.44
Total	**4,045,692**	**100.00**	3,853,931	100.00

(7) Loans and advances restructured

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. As at 31 December 2021, the amount of the Group's impaired restructured loans and advances to customers with modified contract terms, is RMB17,743 million (31 December 2020: RMB18,729 million).

Impaired restructured loans and advances which were not past due or past due for no more than 90 days are as follows:

	31 December 2021	31 December 2020
Impaired restructured loans and advances to customers	**5,753**	9,251
% of total loans and advances to customers	**0.14**	0.24

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(8) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	31 December 2021					
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	41,162	–	–	–	–	41,162
– Corporates	1,117	–	–	–	190	1,307
Gross balance	42,279	–	–	–	190	42.469
Interest accrued						1,589
Less: Allowance for impairment losses of financial assets measured at amortised cost						(12,321)
Subtotal						31,737
Not impaired						
– Government	700,313	303,090	–	–	–	1,003,403
– Policy banks	112,058	–	–	1,038	–	113,096
– Banks and non-bank financial institutions	85,489	118,466	2,842	20,662	16,957	244,416
– Corporates	108,922	221,828	40,158	6,714	19,867	397,489
Gross balance	1,006,782	643,384	43,000	28,414	36,824	1,758,404
Interest accrued						19,982
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,305)
Subtotal						1,776,081
Total						1,807,818

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(8) Distribution of debt instruments analysed by issuers and rating *(continued)*

	31 December 2020					
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	23,639	–	–	–	–	23,639
– Corporates	588	131	–	–	630	1,349
Total	24,227	131	–	–	630	24,988
Interest accrued						1,633
Less: Allowance for impairment losses of financial assets measured at amortised cost						(7,420)
Subtotal						19,201
Not impaired						
– Government	649,700	314,329	–	18	–	964,047
– Policy banks	89,000	–	–	1,682	–	90,682
– Banks and non-bank financial institutions	205,394	116,608	14,882	21,935	16,996	375,815
– Corporates	136,046	211,714	27,857	11,451	31,997	419,065
Total	1,080,140	642,651	42,739	35,086	48,993	1,849,609
Interest accrued						20,533
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,655)
Subtotal						1,867,487
Total						1,886,688

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates, bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(9) Investments classified as trust and asset management plans analysed by type of underlying assets

	31 December 2021	31 December 2020
Trust and asset management plans		
Credit assets	**76,724**	133,800
Bonds and others	**12,860**	12,343
Total	**89,584**	146,143

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on – and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The primary techniques applied by the Group in analysing currency risk are mainly foreign exchange exposure analyses, scenario analyses, stress testing and value at risk (VaR) method. The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

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For the year ended 31 December 2021
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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

	31 December 2021				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	310,899	48,904	1,324	175	361,302
Balances with banks and other financial institutions	26,089	56,177	7,813	2,467	92,546
Placements with banks and other financial institutions	142,786	12,271	3,711	–	158,768
Financial assets held under resale agreements	733	629	–	–	1,362
Loans and advances to customers	3,788,631	121,968	28,415	28,665	3,967,679
Financial investments	1,912,327	104,533	5,049	12,524	2,034,433
Long-term receivables	101,567	21,149	–	–	122,716
Other assets	161,552	35,333	3,877	13,218	213,980
Total assets	6,444,584	400,964	50,189	57,049	6,952,786
Liabilities:					
Borrowings from central bank	279,787	–	–	–	279,787
Deposits and placements from banks and other financial institutions	1,222,667	57,097	12,135	2,459	1,294,358
Borrowings from banks and other financial institutions	71,742	40,614	2,105	–	114,461
Financial assets sold under repurchase agreements	27,662	8,823	–	–	36,485
Deposits from customers	3,556,164	231,863	27,243	10,423	3,825,693
Debt securities issued	701,140	9,884	–	–	711,024
Lease liabilities	9,992	–	233	–	10,225
Other liabilities	84,866	8,798	371	179	94,214
Total liabilities	5,954,020	357,079	42,087	13,061	6,366,247
Net position	490,564	43,885	8,102	43,988	586,539
Foreign currency derivatives	47,132	(14,563)	(3,560)	(27,754)	1,255
Off-balance sheet credit commitments	1,041,786	29,352	4,319	5,147	1,080,604

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

	31 December 2020				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	360,632	40,082	615	196	401,525
Balances with banks and other financial institutions	19,497	25,664	5,206	1,717	52,084
Placements with banks and other financial institutions	193,109	27,800	999	–	221,908
Financial assets held under resale agreements	20,709	755	–	–	21,464
Loans and advances to customers	3,584,228	140,396	24,880	32,793	3,782,297
Financial investments	1,981,764	121,676	3,540	13,670	2,120,650
Long-term receivables	103,200	24,653	–	–	127,853
Other assets	170,146	37,455	8,232	6,619	222,452
Total assets	6,433,285	418,481	43,472	54,995	6,950,233
Liabilities:					
Borrowings from central bank	292,352	–	–	–	292,352
Deposits and placements from banks and other financial institutions	974,551	78,250	16,440	480	1,069,721
Borrowings from banks and other financial institutions	83,324	44,972	2,722	–	131,018
Financial assets sold under repurchase agreements	49,958	13,374	–	1,986	65,318
Deposits from customers	3,521,632	218,644	20,794	7,081	3,768,151
Debt securities issued	945,784	12,096	–	–	957,880
Lease liabilities	10,001	111	155	–	10,267
Other liabilities	102,616	9,798	1,653	211	114,278
Total liabilities	5,980,218	377,245	41,764	9,758	6,408,985
Net position	453,067	41,236	1,708	45,237	541,248
Foreign currency derivatives	13,104	12,173	5,267	(26,546)	3,998
Off-balance sheet credit commitments	1,135,637	26,337	3,358	5,418	1,170,750

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 31 December 2021, assuming other variables remain unchanged, an appreciation of one hundred basis points of the US dollar against the RMB would increase both the Group's net profit and equity by RMB720 million (31 December 2020: increase by RMB661 million); a depreciation of one hundred basis points of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB720 million (31 December 2020: decrease by RMB661 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by one hundred basis points against the RMB's average rate on the reporting date;

b. The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;

c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;

d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;

e. Other variables (including interest rates) remained unchanged; and

f. The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

The Group's is affected by the interest rate benchmark reform mainly in business activities, including loans and advances to customers, deposits from customers, debt investments and derivatives etc., that are linked to the London Interbank Offered Rates (LIBOR). The Group pays high attention to the LIBOR reform, and moving forward with updating the product contract wording, system building and customer communication in a well-planned and disciplined manner. Based on its assessment, the Group believes that the LIBOR reform has no significant impact on the Group's financial position and operating results.

(a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs proper scenario analyses, and adjusts interest rates of deposits and loans in both RMB and foreign currencies to manage interest rate risk.

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

	31 December 2021					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with central bank	355,877	–	–	–	5,425	361,302
Balances with banks and other financial institutions	90,066	2,417	–	–	63	92,546
Placements with banks and other financial institutions	58,681	93,899	5,948	–	240	158,768
Financial assets held under resale agreements	1,344	–	–	–	18	1,362
Loans and advances to customers	1,548,288	1,568,245	578,391	246,962	25,793	3,967,679
Financial investment	118,750	237,628	1,078,166	345,170	254,719	2,034,433
Long-term receivables	41,894	52,229	23,170	5,423	–	122,716
Other assets	–	1,025	59	1,128	211,768	213,980
Total assets	2,214,900	1,955,443	1,685,734	598,683	498,026	6,952,786
Liabilities:						
Borrowings from central bank	53,149	223,266	–	–	3,372	279,787
Deposits and placements from banks and other financial institutions	770,316	516,765	–	–	7,277	1,294,358
Borrowings from banks and other financial institutions	53,719	51,883	7,235	875	749	114,461
Financial assets sold under repurchase agreements	17,976	18,134	255	–	120	36,485
Deposits from customers	2,271,004	845,051	659,706	–	49,932	3,825,693
Debt securities issued	194,356	313,363	79,998	119,967	3,340	711,024
Lease liabilities	813	2,180	5,905	1,327	–	10,225
Other liabilities	632	6,410	–	–	87,172	94,214
Total liabilities	3,361,965	1,977,052	753,099	122,169	151,962	6,366,247
Interest rate gap	(1,147,065)	(21,609)	932,635	476,514	346,064	586,539

(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

	31 December 2020					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with central bank	396,016	–	–	–	5,509	401,525
Balances with banks and other financial institutions	49,488	2,539	–	–	57	52,084
Placements with banks and other financial institutions	91,601	122,681	6,848	–	778	221,908
Financial assets held under resale agreements	21,021	422	–	–	21	21,464
Loans and advances to customers	1,226,155	1,660,519	636,145	234,570	24,908	3,782,297
Financial investment	135,367	311,520	1,002,528	409,286	261,949	2,120,650
Long-term receivables	37,991	53,482	28,711	7,534	135	127,853
Other assets	–	–	–	–	222,452	222,452
Total assets	1,957,639	2,151,163	1,674,232	651,390	515,809	6,950,233
Liabilities:						
Borrowings from central bank	50,306	238,714	–	–	3,332	292,352
Deposits and placements from banks and other financial institutions	709,821	355,584	–	–	4,316	1,069,721
Borrowings from banks and other financial institutions	55,632	64,664	8,087	1,796	839	131,018
Financial assets sold under repurchase agreements	25,433	39,109	364	–	412	65,318
Deposits from customers	2,309,809	615,120	803,245	–	39,977	3,768,151
Debt securities issued	289,251	491,300	29,450	143,947	3,932	957,880
Lease liabilities	760	1,983	6,156	1,368	–	10,267
Other liabilities	4,088	–	–	–	110,190	114,278
Total liabilities	3,445,100	1,806,474	847,302	147,111	162,998	6,408,985
Interest rate gap	(1,487,461)	344,689	826,930	504,279	352,811	541,248

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

If yield curves for respective currencies move in parallel for 100 basis points on 1 January, their potential impact on the Group's net interest income and shareholders' equity for the following year is as follows:

	31 December 2021 (Loss)/Gain	31 December 2020 (Loss)/Gain
Up 100 bps parallel shift in yield curves	**(7,589)**	(7,406)
Down 100 bps parallel shift in yield curves	**7,589**	7,406

In performing the interest rate sensitivity analysis, the Group and the Bank have made general assumptions in defining business terms and financial parameters, but have not considered the following:

a. business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;

b. the impact of interest rate fluctuations on customers' behaviour;

c. the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;

d. the impact of interest rate fluctuations on market prices;

e. the impact of interest rate fluctuations on off-balance sheet products;

f. the impact of interest rate fluctuations on fair value of financial instruments;

g. other variables (including foreign exchange rate); and

h. other risk management measures in the Group.

10 Financial risk management *(continued)*

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

During the reporting period, the Bank was required to maintain 8% of the total RMB denominated deposits and 9% of the total foreign currency denominated balances as statutory reserves with the PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(1) Liquidity risk management policy *(continued)*

To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;

To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios, net stable funding ratios and liquidity matching rate;

To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;

To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

(2) Maturity analysis

The following tables present the maturity analysis of assets and liabilities of the Group as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables and placements with banks and other financial institutions refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis *(continued)*

	31 December 2021							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	314,917	46,385	–	–	–	–	–	361,302
Balances with banks and other financial institutions	–	87,246	1,399	1,462	2,439	–	–	92,546
Placements with banks and other financial institutions	770	–	21,416	36,343	94,286	5,953	–	158,768
Financial assets held under resale agreements	521	–	329	512	–	–	–	1,362
Loans and advances to customers	42,852	7,802	362,467	240,933	1,238,033	1,055,910	1,019,682	3,967,679
Financial investments	260,491	277	28,616	34,230	248,031	1,105,872	356,916	2,034,433
Long-term receivables	6,086	2,421	6,239	9,560	40,954	51,518	5,938	122,716
Other assets	154,744	10,476	10,986	9,529	19,852	7,747	646	213,980
Total assets	780,381	154,607	431,452	332,569	1,643,595	2,227,000	1,383,182	6,952,786
Liabilities:								
Borrowings from central bank	–	–	19,362	34,468	225,957	–	–	279,787
Deposits and placements from banks and other financial institutions	–	347,893	170,785	242,081	533,599	–	–	1,294,358
Borrowings from banks and other financial institutions	–	–	19,488	23,298	54,132	14,198	3,345	114,461
Financial assets sold under repurchase agreements	–	–	10,449	7,608	18,172	256	–	36,485
Deposits from customers	–	1,529,820	544,182	227,920	855,868	667,903	–	3,825,693
Debt securities issued	–	–	46,672	140,401	316,980	87,004	119,967	711,024
Lease liabilities	–	–	316	497	2,180	5,905	1,327	10,225
Other liabilities	5,619	7,347	13,740	20,294	32,812	13,701	701	94,214
Total liabilities	5,619	1,885,060	824,994	696,567	2,039,700	788,967	125,340	6,366,247
Net position	774,762	(1,730,453)	(393,542)	(363,998)	(396,105)	1,438,033	1,257,842	586,539
Notional amount of derivatives	–	–	661,623	788,825	1,803,522	834,787	11,239	4,099,996

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis *(continued)*

	31 December 2020							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	332,366	69,159	–	–	–	–	–	401,525
Balances with banks and other financial institutions	–	46,352	1,780	1,398	2,554	–	–	52,084
Placements with banks and other financial institutions	472	–	40,804	51,022	122,756	6,854	–	221,908
Financial assets held under resale agreements	281	–	19,351	1,406	426	–	–	21,464
Loans and advances to customers	37,951	8,352	360,771	239,276	1,137,821	1,097,376	900,750	3,782,297
Financial investments	259,898	505	46,403	51,900	318,823	1,027,706	415,415	2,120,650
Long-term receivables	3,836	915	4,746	8,823	36,903	63,378	9,252	127,853
Other assets	134,542	20,003	12,973	11,852	29,847	10,614	2,621	222,452
Total assets	769,346	145,286	486,828	365,677	1,649,130	2,205,928	1,328,038	6,950,233
Liabilities:								
Borrowings from central bank	–	–	17,258	34,464	240,630	–	–	292,352
Deposits and placements from banks and other financial institutions	–	297,037	216,417	199,962	356,305	–	–	1,069,721
Borrowings from banks and other financial institutions	–	–	20,473	19,986	71,462	10,598	8,499	131,018
Financial assets sold under repurchase agreements	–	–	6,012	18,248	40,693	365	–	65,318
Deposits from customers	–	1,591,240	474,156	270,049	621,345	811,361	–	3,768,151
Debt securities issued	–	–	37,455	253,917	493,111	29,450	143,947	957,880
Lease liabilities	–	–	277	483	1,983	6,156	1,368	10,267
Other liabilities	2,507	2,430	13,711	23,141	54,973	14,773	2,743	114,278
Total liabilities	2,507	1,890,707	785,759	820,250	1,880,502	872,703	156,557	6,408,985
Net position	766,839	(1,745,421)	(298,931)	(454,573)	(231,372)	1,333,225	1,171,481	541,248
Notional amount of derivatives	–	–	450,839	673,327	1,526,115	732,592	7,191	3,390,064

10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables and placements with banks and other financial institutions refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities *(continued)*

	31 December 2021							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Assets:								
Cash and balances with central bank	314,917	46,385	–	–	–	–	–	361,302
Balances with banks and other financial institutions	–	87,246	1,399	1,467	2,474	–	–	92,586
Placements with banks and other financial institutions	1,947	–	21,848	36,943	94,462	5,958	–	161,158
Financial assets held under resale agreements	541	–	329	512	–	–	–	1,382
Loans and advances to customers	91,557	9,799	376,681	267,625	1,341,872	1,302,898	1,412,295	4,802,727
Financial investments	269,160	300	32,520	37,375	279,061	1,267,864	412,128	2,298,408
Long-term receivables	8,297	2,669	6,724	10,404	44,998	61,009	8,282	142,383
Other assets	156,370	10,503	6,030	2,410	6,628	6,034	3,116	191,091
Total assets (expected maturity date)	842,789	156,902	445,531	356,736	1,769,495	2,643,763	1,835,821	8,051,037
Liabilities:								
Borrowings from central bank	–	–	19,374	34,625	230,521	–	–	284,520
Deposits and placements from banks and other financial institutions	–	347,893	170,840	242,514	540,827	–	–	1,302,074
Borrowings from banks and other financial institutions	–	–	19,505	23,697	55,132	15,232	3,506	117,072
Financial assets sold under repurchase agreements	–	–	10,456	7,634	18,273	261	–	36,624
Deposits from customers	–	1,529,820	546,357	233,339	892,455	752,833	–	3,954,804
Debt securities issued	–	–	46,740	141,429	326,797	111,532	134,286	760,784
Lease liabilities	–	–	347	547	2,397	6,494	1,459	11,244
Other liabilities	5,619	7,347	7,618	13,344	21,148	12,602	422	68,100
Total liabilities (contractual maturity date)	5,619	1,885,060	821,237	697,129	2,087,550	898,954	139,673	6,535,222

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities *(continued)*

	31 December 2020							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	332,366	69,159	–	–	–	–	–	401,525
Balances with banks and other financial institutions	658	46,352	1,783	1,405	2,580	–	–	52,778
Placements with banks and other financial institutions	1,212	–	41,043	52,067	122,978	7,181	–	224,481
Financial assets held under resale agreements	281	–	19,361	1,413	427	–	–	21,482
Loans and advances to customers	87,039	10,391	379,318	270,246	1,260,443	1,453,294	1,488,001	4,948,732
Financial investments	267,877	521	54,326	58,492	365,220	1,213,833	480,100	2,440,369
Long-term receivables	5,295	986	5,158	9,655	40,437	74,939	13,584	150,054
Other assets	135,898	20,003	8,871	4,161	4,348	8,392	2,006	183,679
Total assets (expected maturity date)	830,626	147,412	509,860	397,439	1,796,433	2,757,639	1,983,691	8,423,100
Liabilities:								
Borrowings from central bank	–	–	17,270	34,633	245,667	–	–	297,570
Deposits and placements from banks and other financial institutions	–	297,037	217,527	201,917	361,905	–	–	1,078,386
Borrowings from banks and other financial institutions	–	–	20,491	20,332	73,204	11,911	8,880	134,818
Financial assets sold under repurchase agreements	–	–	8,028	30,450	100,967	1,413	–	140,858
Deposits from customers	–	1,591,240	475,062	273,312	631,201	877,523	–	3,848,338
Debt securities issued	–	–	37,519	255,715	504,265	54,738	164,291	1,016,528
Lease liabilities	–	–	307	535	2,200	6,829	1,517	11,388
Other liabilities	2,507	2,430	7,829	14,840	29,093	12,990	1,914	71,603
Total liabilities (contractual maturity date)	2,507	1,890,707	784,033	831,734	1,948,502	965,404	176,602	6,599,489

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(4) Analysis on contractual undiscounted cash flows of derivatives

(a) Derivatives settled on a net basis

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

Interest rate derivatives	Interest rate swaps
Credit derivatives	Credit default swaps

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

	31 December 2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(26)	(17)	(241)	(376)	(6)	(666)
Credit derivatives	–	–	(2)	(17)	–	(19)
Total	(26)	(17)	(243)	(393)	(6)	(685)

	31 December 2020					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(34)	(29)	(159)	(381)	(20)	(623)
Credit derivatives	–	–	–	1	–	1
Total	(34)	(29)	(159)	(380)	(20)	(622)

(b) Derivatives settled on a gross basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards, swaps

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(4) Analysis on contractual undiscounted cash flows of derivatives *(continued)*

(b) Derivatives settled on a gross basis *(continued)*

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

	31 December 2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(590,359)	(663,552)	(1,328,892)	(65,808)	–	(2,648,611)
– Cash inflow	590,397	660,015	1,333,168	66,286	–	2,649,866
Precious metal derivatives						
– Cash outflow	(16,543)	(12,513)	(31,593)	–	–	(60,649)
– Cash inflow	16,801	12,566	30,914	–	–	60,281
Total cash outflow	(606,902)	(676,065)	(1,360,485)	(65,808)	–	(2,709,260)
Total cash inflow	607,198	672,581	1,364,082	66,286	–	2,710,147

	31 December 2020					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(358,138)	(420,284)	(1,151,806)	(50,531)	–	(1,980,759)
– Cash inflow	358,579	419,627	1,154,877	51,674	–	1,984,757
Precious metal derivatives						
– Cash outflow	(5,557)	(5,917)	(37,761)	–	–	(49,235)
– Cash inflow	6,060	6,231	35,196	–	–	47,487
Total cash outflow	(363,695)	(426,201)	(1,189,567)	(50,531)	–	(2,029,994)
Total cash inflow	364,639	425,858	1,190,073	51,674	–	2,032,244

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	31 December 2021			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	340,726	–	–	340,726
Letters of credit	77,103	279	–	77,382
Guarantees	92,490	51,526	2,060	146,076
Unused credit card commitments	491,370	–	–	491,370
Irrevocable credit commitments	18,428	6,351	271	25,050
Total	1,020,117	58,156	2,331	1,080,604

	31 December 2020			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	403,532	–	–	403,532
Letters of credit	115,960	373	–	116,333
Guarantees	99,081	58,450	1,358	158,889
Unused credit card commitments	478,980	–	–	478,980
Irrevocable credit commitments	10,203	2,813	–	13,016
Total	1,107,756	61,636	1,358	1,170,750

10.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

10 Financial risk management *(continued)*

10.5 Operational risk *(continued)*

The Bank continues to strengthen its operational risk management, including enhancing the risk identification matrices and evaluation models, deepening information sharing and data-driven practices, and expanding its efforts to effectively cover all important business lines and management activities. As part of its efforts to improve its business continuity planning, response and recovery capabilities, the Bank conducts comprehensive business impact analyses and updates its emergency response plans regularly to step up emergency early warning, response, resolution and evaluation. In line with compliance requirements as well as cost-effective and prudential principles, the Bank also takes actions to improve the discipline and compliance in its outsourcing activities and service provider management, including regular in-process inspections and assessments of outsourcing activities, as well as selected on-site inspections of key institutions.

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of polices to accrue country risk reserve.

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2013, the Group computes the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations issued by the CBIRC. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 of *The Capital Rules for Commercial Banks (Provisional)*, and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios in accordance with The Capital Rules for Commercial Banks *(Provisional)*. For the Group, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

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10 Financial risk management *(continued)*

10.7 Capital management *(continued)*

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with *The Capital Rules for Commercial Banks (Provisional)* and relevant requirements promulgated by the CBIRC as below:

	31 December 2021	31 December 2020
Core tier-one capital adequacy ratio	**9.04%**	8.51%
Tier-one capital adequacy ratio	**10.73%**	9.81%
Capital adequacy ratio	**13.64%**	13.04%
Components of capital base		
Core tier-one capital:		
Share capital	**43,782**	43,782
Valid portion of capital reserve	**58,149**	57,419
Surplus reserve	**51,843**	48,479
General reserve	**87,013**	86,599
Retained earnings	**243,144**	225,247
Valid portion of non-controlling interests	**7,070**	7,283
Others	**385**	(1,849)
Core tier-one capital	**491,386**	466,960
Core tier-one capital deductions	**(4,834)**	(5,039)
Net core tier-one capital	**486,552**	461,921
Net other tier-one capital	**90,527**	70,427
Net tier-one capital	**577,079**	532,348
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	**119,967**	143,947
Surplus provision for loan impairment	**34,772**	29,234
Valid portion of non-controlling interests	**1,885**	1,943
Net tier-two capital	**156,624**	175,124
Net capital base	**733,703**	707,472

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10 Financial risk management *(continued)*

10.7 Capital management *(continued)*

	31 December 2021	31 December 2020
Credit risk-weighted assets	**4,981,119**	5,019,411
Market risk-weighted assets	**71,775**	93,101
Operational risk-weighted assets	**326,564**	313,344
Total risk-weighted assets	**5,379,458**	5,425,856

11 Fair value of financial instruments

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities 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 Trust & Clearing Co., Ltd., which are determined based on the valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like China Bond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Wind, Bloomberg and Reuters.

Level 3: Parameters for valuation of assets or liabilities are based on unobservable inputs. The Level 3 financial instruments include equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs. The valuation models used include the discounted cash flow method and the market approach, etc. Unobservable inputs for valuation models include yield curve, discounts for lack of marketability (DLOM) and comparable company multiples, etc.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value

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

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurrin basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	66,108	2,335	68,443
Equity investments	2,071	2,085	23,123	27,279
Investment funds	170,646	19,836	529	191,011
Trust and asset management plans	–	8,738	4,122	12,860
Others	–	–	1,091	1,091
Financial assets at fair value through other comprehensive income				
Debt securities	–	426,582	622	427,204
Equity investments	–	5,700	2,625	8,325
Loans and advances to customers designated at fair value through other comprehensive income	–	286,451	–	286,451
Derivative financial assets				
Foreign exchange derivatives	–	24,790	–	24,790
Precious metal derivatives	–	1,521	–	1,521
Others	–	1,150	–	1,150
Total	172,717	842,961	34,447	1,050,125
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(21,468)	–	(21,468)
Precious metal derivatives	–	(3,641)	–	(3,641)
Others	–	(1,005)	–	(1,005)
Financial liabilities at fair value through profit or loss	–	(2,856)	–	(2,856)
Total	–	(28,970)	–	(28,970)

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	18,164	55,411	1,276	74,851
Equity investments	17,709	–	21,479	39,188
Investment funds	190,744	–	–	190,744
Trust and asset management plans	–	–	12,343	12,343
Wealth management products	–	2,153	2,044	4,197
Others	–	–	1,157	1,157
Financial assets at fair value through other comprehensive income				
Debt securities	47,014	417,928	1,150	466,092
Equity investments	2,405	–	1,625	4,030
Loans and advances to customers designated at fair value through other comprehensive income	–	233,467	–	233,467
Derivative financial assets				
Foreign exchange derivatives	–	39,988	–	39,988
Precious metal derivatives	–	869	–	869
Others	–	1,428	–	1,428
Total	276,036	751,244	41,074	1,068,354
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(37,279)	–	(37,279)
Precious metal derivatives	–	(3,673)	–	(3,673)
Others	–	(1,723)	–	(1,723)
Financial liabilities at fair value through profit or loss	–	(3,293)	–	(3,293)
Total	–	(45,968)	–	(45,968)

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

For equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of Level 3 financial instruments during the year:

	Year ended 31 December 2021			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
		Debt securities	Equity securities	Total
As at 1 January 2021	38,299	1,150	1,625	41,074
Total gains/(losses)				
In profit or loss	(2,653)	102	–	(2,551)
In other comprehensive income	–	(382)	–	(382)
Purchase/transfer in	13,128	617	1,000	14,745
Settlement/transfer out	(17,574)	(865)	–	(18,439)
As at 31 December 2021	31,200	622	2,625	34,447
Total realised (losses)/gains included in the consolidated statement of profit or loss	(977)	102	–	(875)
Total unrealised gains included in the consolidated statement of profit or loss	(1,676)	–	–	(1,676)

(Expressed in millions of Renminbi, unless otherwise stated)

11 Fair value of financial instruments *(continued)*

11.2 Movement in level 3 financial instruments measured at fair value *(continued)*

The following table shows the movement of Level 3 financial instruments during the period:

	Year ended 31 December 2020			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
		Debt securities	Equity securities	Total
As at 1 January 2020	50,582	1,828	1,125	53,535
Total gains/(losses)				
In profit or loss	1,946	–	–	1,946
In other comprehensive income	–	(75)	–	(75)
Purchase/transfer in	15,794	518	500	16,812
Settlement/transfer out	(30,023)	(1,121)	–	(31,144)
As at 31 December 2020	38,299	1,150	1,625	41,074
Total realised gains included in the consolidated statement of profit or loss	1,313	–	–	1,313
Total unrealised gains included in the consolidated statement of profit or loss	633	–	–	633

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11 Fair value of financial instruments *(continued)*

11.3 Fair value of financial assets and liabilities not carried at fair value

(1) Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

(2) Financial investments measured at amortised cost

The fair value for financial assets measured at amortised cost-bonds is usually measured based on "bid" market prices or brokers'/dealers' quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, materiality and yield.

(3) Debt securities issued

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

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11 Fair value of financial instruments *(continued)*

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

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

	31 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,298,220	1,358,398	–	1,264,052	94,346
Financial liabilities					
Debt securities issued	711,024	711,896	9,240	701,732	924

	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,328,048	1,322,404	2,108	1,118,000	202,296
Financial liabilities					
Debt securities issued	957,880	958,040	12,065	945,975	–

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12 Subsequent events

Up to the approval date of the consolidated financial statements, the Group had no material subsequent events for disclosure.

13 Comparative figures

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

14 Statement of financial position and Statement of changes in equity of the Bank

	31 December 2021	31 December 2020
ASSETS		
Cash and balances with central bank	**357,855**	397,828
Balances with banks and other financial institutions	**72,964**	38,654
Precious metals	**13,189**	6,782
Placements with banks and other financial institutions	**191,108**	247,103
Derivative financial assets	**27,461**	42,285
Financial assets held under resale agreements	**823**	18,933
Loans and advances to customers	**3,945,707**	3,762,333
Financial investments:		
– Financial assets at fair value through profit or loss	**294,753**	316,265
– Financial assets at fair value through other comprehensive income	**418,670**	458,466
– Financial assets measured at amortised cost	**1,296,413**	1,322,636
Property and equipment	**24,554**	22,362
Right-of-use assets	**13,137**	13,344
Deferred income tax assets	**48,983**	48,144
Investment in subsidiaries	**8,381**	7,381
Other assets	**40,869**	37,837
Total assets	**6,754,867**	6,740,353

(Expressed in millions of Renminbi, unless otherwise stated)

14 Statement of financial position and Statement of changes in equity of the Bank *(continued)*

	31 December 2021	31 December 2020
LIABILITIES		
Borrowings from central bank	**278,835**	291,132
Deposits and placements from banks and other financial institutions	**1,292,062**	1,073,844
Financial liabilities at fair value through profit or loss	**2,856**	2,679
Derivative financial liabilities	**26,018**	42,418
Financial assets sold under repurchase agreements	**26,624**	56,606
Deposits from customers	**3,797,630**	3,736,667
Lease liabilities	**10,011**	10,090
Provisions	**2,250**	2,020
Debt securities issued	**710,092**	953,754
Current income tax liabilities	**8,135**	17,999
Other liabilities	**35,643**	32,614
Total liabilities	**6,190,156**	6,219,823
EQUITY		
Share capital	**43,782**	43,782
Other equity instrument	**89,964**	69,860
Including: Preference shares	**19,975**	29,867
Perpetual bonds	**69,989**	39,993
Reserves		
Capital reserve	**57,880**	57,150
Surplus reserve	**51,843**	48,479
General reserve	**85,278**	85,029
Other reserves	**686**	(1,679)
Retained earnings	**235,278**	217,909
Total equity	**564,711**	520,530
Total liabilities and equity	**6,754,867**	6,740,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

14 Statement of financial position and Statement of changes in equity of the Bank *(continued)*

			Reserves							
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total
At 31 December 2020	43,782	69,860	57,150	48,479	85,029	(1,534)	(121)	(24)	217,909	520,530
(I) Net profit	–	–	–	–	–	–	–	–	33,636	33,636
(II) Other comprehensive income, net of tax	–	–	–	–	–	2,284	64	17	–	2,365
Total comprehensive income	–	–	–	–	–	2,284	64	17	33,636	36,001
(III) Capital injection and deduction by equity holders										
1. Capital injection by other equity instrument holders	–	29,996	–	–	–	–	–	–	–	29,996
2. Capital deduction by other equity instrument holders	–	(9,892)	730	–	–	–	–	–	–	(9,162)
(IV) Profit distribution										
1. Appropriation to surplus reserve	–	–	–	3,364	–	–	–	–	(3,364)	–
2. Appropriation to general reserve	–	–	–	–	249	–	–	–	(249)	–
3. Cash dividends	–	–	–	–	–	–	–	–	(10,714)	(10,714)
4. Interest on perpetual bond	–	–	–	–	–	–	–	–	(1,940)	(1,940)
At 31 December 2021	43,782	89,964	57,880	51,843	85,278	750	(57)	(7)	235,278	564,711

For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

14 Statement of financial position and Statement of changes in equity of the Bank *(continued)*

			Reserves							
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total
At 31 December 2019	43,782	69,860	57,150	45,162	80,224	2,073	7	(3)	212,393	510,648
(I) Net profit	–	–	–	–	–	–	–	–	33,174	33,174
(II) Other comprehensive income, net of tax	–	–	–	–	–	(3,607)	(128)	(21)	–	(3,756)
Total comprehensive income	–	–	–	–	–	(3,607)	(128)	(21)	33,174	29,418
(III) Profit distribution										
1. Appropriation to surplus reserve	–	–	–	3,317	–	–	–	–	(3,317)	–
2. Appropriation to general reserve	–	–	–	–	4,805	–	–	–	(4,805)	–
3. Cash dividends	–	–	–	–	–	–	–	–	(17,596)	(17,596)
4. Interest on perpetual bond	–	–	–	–	–	–	–	–	(1,940)	(1,940)
At 31 December 2020	43,782	69,860	57,150	48,479	85,029	(1,534)	(121)	(24)	217,909	520,530

ISSUER

China Minsheng Banking Corp., Ltd., Hong Kong Branch
Flat/Rm 3701-3702, 12-16, 37/F & 40/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

ARRANGERS

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Certified Public Accountants
Registered Public Interest Entity Auditor
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REGISTRAR

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Confirmation of Your Representation: The attached Pricing Supplement is being sent to you at your request and by accepting the e-mail and accessing the attached Pricing Supplement, you shall be deemed to represent to China Minsheng Banking Corp., Ltd., Hong Kong Branch (the "**Issuer**"), China Minsheng Banking Corp., Ltd., Hong Kong Branch, Standard Chartered Bank, Bank of Communications Co., Ltd. Hong Kong Branch, China CITIC Bank International Limited, China Zheshang Bank Co., Ltd. (Hong Kong Branch), Industrial Bank Co., Ltd. Hong Kong Branch, ABCI Capital Limited, Agricultural Bank of China Limited Hong Kong Branch, Bank of China Limited, Bank of China (Hong Kong) Limited, Barclays Bank PLC, BOSC International Securities Limited, CCB International Capital Limited, CEB International Capital Corporation Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Galaxy International Securities (Hong Kong) Co., Limited, China International Capital Corporation Hong Kong Securities Limited, China Securities (International) Corporate Finance Company Limited, Chiyu Banking Corporation Limited, CLSA Limited, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, CNCB (Hong Kong) Capital Limited, Fosun International Securities Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Hua Xia Bank Co., Limited Hong Kong Branch, Huatai Financial Holdings (Hong Kong) Limited, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China (Macau) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Luso International Banking Limited, Orient Securities (Hong Kong) Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, The Bank of East Asia, Limited and Zhongtai International Securities Limited (together, the "**Managers**") that (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (3) you consent to delivery of the attached Pricing Supplement and any amendments or supplements thereto by electronic transmission.

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Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on HKSE on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Pricing Supplement dated 5 March 2024

China Minsheng Banking Corp., Ltd., Hong Kong Branch[1]

Issue of CNY3,000,000,000 3.08 per cent. Notes due 2026 (the "Notes") under the U.S.$5,000,000,000 Medium Term Note Programme (the "Programme")

This document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the offering circular dated 4 March 2024 (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular as supplemented by the additional disclosure relevant to the Notes in the Schedule hereto.

1	Issuer:		China Minsheng Banking Corp., Ltd., Hong Kong Branch
2	(i)	Series Number:	011
	(ii)	Tranche Number	1
3	Specified Currency or Currencies:		Renminbi ("**CNY**")
4	Aggregate Nominal Amount:		CNY3,000,000,000
	(i)	Series:	CNY3,000,000,000
	(ii)	Tranche:	CNY3,000,000,000

[1] A branch of China Minsheng Banking Corp., Ltd., a joint stock limited company incorporated in the People's Republic of China.

5	(i)	Issue Price:	100 per cent. of the Aggregate Nominal Amount
	(ii)	Gross proceeds:	CNY3,000,000,000
6	(i)	Specified Denominations:	CNY1,000,000 and integral multiples of CNY10,000 in excess thereof
	(ii)	Calculation Amount:	CNY10,000
7	(i)	Issue Date:	12 March 2024
	(ii)	Interest Commencement Date:	12 March 2024
8	Maturity Date:		Interest Payment Date falling on, or nearest to, 12 March 2026
9	Interest Basis:		3.08 per cent. Fixed Rate
10	Redemption/Payment Basis:		Redemption at par
11	Change of Interest or Redemption/ Payment Basis:		Not Applicable
12	Put/Call Options:		Not Applicable
13	Status of the Notes:		Senior Notes
14	Listing:		The Stock Exchange of Hong Kong Limited Listing is expected to be effective on 13 March 2024
15	Method of distribution:		Syndicated
16	Private Bank Rebate/Commission		Not Applicable

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17	Fixed Rate Note Provisions		Applicable
	(i)	Rate of Interest:	3.08 per cent. per annum payable semi-annually in arrear
	(ii)	Interest Payment Date(s):	12 March and 12 September in each year, subject to adjustment in accordance with the Modified Following Business Day Convention
	(iii)	Fixed Coupon Amount:	Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01 (with CNY0.005 being rounded upwards)
	(iv)	Broken Amount:	Not Applicable
	(v)	Day Count Fraction (Condition 5(j)):	Actual/365 (Fixed)

	(vi)	Determination Date(s) (Condition 5(j)):	Not Applicable
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
18	Floating Rate Note Provisions		Not Applicable
19	Zero Coupon Note Provisions		Not Applicable
20	Index Linked Interest Note Provisions		Not Applicable
21	Dual Currency Note Provisions		Not Applicable

PROVISIONS RELATING TO REDEMPTION

22	Call Option		Not Applicable
23	Put Option		Not Applicable
24	Final Redemption Amount of each Note		CNY10,000 per Calculation Amount
25	Early Redemption Amount		
	(i)	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or Event of Default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	CNY10,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26	Form of Notes:	Registered Notes Global Certificate exchangeable for Definitive Certificates in the limited circumstances specified in the Global Certificate
27	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	Not Applicable
28	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
29	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable

30	Details relating to Instalment Notes:	Not Applicable
31	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
32	Consolidation provisions:	The provisions in Condition 13 (*Further Issues)* apply
33	Other terms or special conditions:	Not Applicable

DISTRIBUTION

34 (i) If syndicated, names of Managers:

Joint Global Coordinators

1. China Minsheng Banking Corp., Ltd., Hong Kong Branch
2. Standard Chartered Bank
3. Bank of Communications Co., Ltd. Hong Kong Branch
4. China CITIC Bank International Limited
5. China Zheshang Bank Co., Ltd. (Hong Kong Branch)
6. Industrial Bank Co., Ltd. Hong Kong Branch

Joint Bookrunners

7. ABCI Capital Limited
8. Agricultural Bank of China Limited Hong Kong Branch
9. Bank of China Limited
10. Bank of China (Hong Kong) Limited
11. Barclays Bank PLC
12. BOSC International Securities Limited
13. CCB International Capital Limited
14. CEB International Capital Corporation Limited
15. China Everbright Bank Co., Ltd., Hong Kong Branch
16. China Galaxy International Securities (Hong Kong) Co., Limited
17. China International Capital Corporation Hong Kong Securities Limited
18. China Securities (International) Corporate Finance Company Limited
19. Chiyu Banking Corporation Limited
20. CLSA Limited
21. CMBC Securities Company Limited
22. CMB Wing Lung Bank Limited
23. CNCB (Hong Kong) Capital Limited
24. Fosun International Securities Limited
25. Guotai Junan Securities (Hong Kong) Limited

			26. Haitong International Securities Company Limited 27. Hua Xia Bank Co., Limited Hong Kong Branch 28. Huatai Financial Holdings (Hong Kong) Limited 29. ICBC International Securities Limited 30. Industrial and Commercial Bank of China (Asia) Limited 31. Industrial and Commercial Bank of China (Macau) Limited 32. Industrial and Commercial Bank of China Limited, Singapore Branch 33. Luso International Banking Limited 34. Orient Securities (Hong Kong) Limited 35. Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch 36. SMBC Nikko Securities (Hong Kong) Limited 37. SPDB International Capital Limited 38. The Bank of East Asia, Limited 39. Zhongtai International Securities Limited
	(ii)	Stabilisation Manager (if any):	Any of the Dealers (other than China CITIC Bank International Limited) appointed and acting in its capacity as a stabilisation manager
35	If non-syndicated, name of Dealer:		Not Applicable
36	U.S. Selling Restrictions		Reg. S Category 1 TEFRA Not Applicable
37	Additional selling restrictions:		Not Applicable
38	Prohibition of Sales to EEA Retail Investors		Not Applicable
39	Prohibition of Sales to UK Retail Investors:		Not Applicable

OPERATIONAL INFORMATION

40	ISIN Code:	HK0000998317
41	Common Code / CMU Instrument Number:	278051374 / MSBCFN24001
42	Legal Entity Identifier of the Issuer:	635400BPCTF8TCGUXG82
43	Legal Entity Identifier of the Bank:	549300HBUGSQD1VCXG94
44	CMU Member Code of the Issuer:	MSBC
45	Any clearing system(s) other than Euroclear, Clearstream and the CMU and the relevant identification number(s):	Not Applicable

46	Delivery:	Delivery against payment
47	Additional Paying Agents (if any):	None

GENERAL

48	The aggregate principal amount of Notes issued has been translated into US dollars at the rate of CNY1=U.S.$0.1390, producing a sum of (for Notes not denominated in US dollars):	Approximately U.S.$417,000,000
49	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	Not Applicable
50	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	Not Applicable
51	(i) Date of corporate approval (s) for the issuance of the Notes:	21 February 2023 (resolution of the board of directors) 9 June 2023 (resolution of the shareholders)
	(ii) Date of any regulatory approval for the issuance of Notes:	NDRC Registration Certificate dated 19 October 2023
52	Ratings:	The Notes to be issued are expected to be rated: S&P: BBB-

HONG KONG SFC CODE OF CONDUCT

53	Rebates	Not Applicable
54	Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	hkdcm@cmbc.com.cn SYNHK@sc.com dcm@bankcomm.com.hk TMG_Syndicate@cncbinternational.com cmd_dcm@cibhk.com

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US$5,000,000,000 Medium Term Note Programme of China Minsheng Banking Corp., Ltd., Hong Kong Branch.

STABILISATION

In connection with the issue of the Notes, any of the Dealers named as Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no obligation on the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager) to do this. Such stabilisation if commenced may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.

MATERIAL ADVERSE CHANGE STATEMENT

There has been no material adverse change in the financial position or prospects of the Issuer since 30 June 2023.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: (S.D.)

Duly authorised

SCHEDULE

The Offering Circular is hereby supplemented with the following information. Save as otherwise defined herein, terms defined in the Offering Circular have the same meaning when used in this Schedule.

RISK FACTORS

The Notes being issued as "green bonds" may not be a suitable investment for all investors seeking exposure to green projects or assets.

The Issuer has developed its green finance framework (the "**Green Finance Framework**") and intends to issue the Notes as "green bonds" in accordance with the Green Finance Framework. See "*Green Finance Framework*" for a summary of such framework. In relation to the Green Finance Framework, the Issuer has engaged Moody's Investors Service to provide an independent second-party opinion confirming that the Green Finance Framework is in compliance with the GBPs and GLPs (as defined in the Green Finance Framework, respectively). Moody's Investors Service has issued such second-party opinion dated 4 March 2024 (the "**Second-Party Opinion**"). The GBPs and GLPs are sets of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green notes and green loans market. The Notes, however, may not be a suitable investment for all investors seeking exposure to green assets. The description of Eligible Green Projects (as defined in the Green Finance Framework) provided elsewhere in this Pricing Supplement is for illustrative purposes only and subject to change, and no assurance can be provided that investment in assets with these specific characteristics will be made by the Issuer during the term of the Notes.

In addition, in connection with the issue of the Notes, the Issuer has requested the Hong Kong Quality Assurance Agency (the "**HKQAA**") to issue an independent certification (a "**HKQAA Pre-issuance Stage Certificate**") confirming that the Notes are in compliance with the requirements of the Green and Sustainable Finance Certification Scheme operated by the HKQAA (the "**HKQAA Green and Sustainable Finance Certification Scheme**"). The HKQAA Green and Sustainable Finance Certification Scheme is a set of voluntary guidelines that aim to facilitate the development of green finance and the green industry. It is expected that the HKQAA Pre-issuance Stage Certificate will be obtained on or around the Issue Date for the Notes. See "*The HKQAA Green and Sustainable Finance Certification Scheme*" for more details.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green", and therefore no assurance can be provided to potential investors that the relevant Eligible Green Projects will meet or continue to meet the relevant eligibility criteria. Although applicable green projects are expected to be selected in accordance with the categories recognised under the GBPs and the HKQAA Green and Sustainable Finance Certification Scheme and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects. Where any negative impacts are insufficiently mitigated, green projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

The Second-Party Opinion and the HKQAA Pre-issuance Stage Certificate are not incorporated into, and do not form part of, the Offering Circular. None of the Issuer or the Managers makes any representation as to the suitability of the Second-Party Opinion or the HKQAA Pre-issuance Stage Certificate. The Second-Party Opinion and the HKQAA Pre-issuance Stage Certificate may not reflect the potential impact of all risks related to the structure, marketability, trading price, or liquidity and other factors that may affect the price or value of the Notes. The Second-Party Opinion and the HKQAA Pre-issuance Stage Certificate are not, and should not be deemed to be, a recommendation to buy, sell or hold the Notes and are only current as of the date that the Second-Party Opinion and the HKQAA Pre-issuance Stage Certificate were initially issued respectively and are subject to certain disclaimers set out therein, and may be updated, suspended or withdrawn by the relevant provider(s) at any time. Currently, the providers of second-party opinions and providers of similar opinions, certifications and validations are not subject to any specific regulatory or other regime or oversight. Any such opinion, certification or validation is not, nor should be deemed to be, a recommendation by the Issuer or the

Managers, any second-party opinion provider or any other person to buy, sell or hold the Notes. Noteholders have no recourse against the Issuer or any of the Managers or the provider of any such opinion, certification or validation for the contents of any such opinion, certification or validation, which is only current as at the date it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion, certification or validation and/or the information contained therein and/or the provider of such opinion, certification or validation for the purpose of any investment in the Notes. Any withdrawal of any such opinion, certification or validation or any such opinion, certification or validation attesting that the Issuer is not complying in whole or in part with any matters for which such opinion, certification or validation is opining on or certifying on may have a material adverse effect on the value of the Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in green assets. Prospective investors must determine for themselves the relevance of the Second-Party Opinion or the HKQAA Pre-issuance Stage Certificate and/or the information contained therein and/or the Second-Party Opinion provider or HKQAA for the purpose of any investment in the Notes. The Green Finance Framework and the Second-Party Opinion will be made available to investors on the Issuer's website (https://hk.cmbc.com.cn/), however, unless expressly set out herein the Pricing Supplement, neither the Green Finance Framework, the Second-Party Opinion nor the HKQAA Pre-issuance Stage Certificate is incorporated into, or forms part of, the Offering Circular.

Whilst the Issuer has agreed to certain obligations relating to reporting and use of proceeds as described under the sections entitled "*Use of Proceeds*" and "*Green Finance Framework*", it would not be an Event of Default under the Conditions if (i) the Issuer were to fail to comply with such obligations or were to fail to use the proceeds of the issue of the Notes in the manner specified in this Pricing Supplement and/or (ii) the Second-Party Opinion or the HKQAA Pre-issuance Stage Certificate issued in connection with such Notes were to be withdrawn. Any failure to use the net proceeds of the issue of the Notes in connection with Eligible Green Projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or social concerns with respect to such Notes, may affect the value and/or trading price of such Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Notes are included in any dedicated "green", "environmental", "social", "sustainable" or other equivalently-labelled index, no representation or assurance is given by the Issuer or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

None of the Issuer or the Managers makes any representation as to (i) whether the Notes will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, (ii) whether the net proceeds will be used in the manner as described in the sections entitled "*Use of Proceeds*" and "*Green Finance Framework*", or (iii) the characteristics of Eligible Green Projects, including their relevant environmental and sustainability criteria. Each potential investor of the Notes should have regard to the relevant projects and eligibility criteria described under the section entitled "*Green Finance Framework*". Moreover, no assurance can be provided with respect to the suitability or reliability of the Second-Party Opinion or the HKQAA Pre-issuance Stage Certificate or that the Notes will fulfil the criteria to qualify as green bonds.

While it is the intention of the Issuer to apply the proceeds of the Notes for eligible green assets or projects as set out in the Green Finance Framework as described in "*Use of Proceeds*" below, there is no contractual obligation to do so. There can be no assurance that any such eligible projects will be available or capable of being implemented in the manner anticipated and, accordingly, that the Issuer will be able to use the proceeds for such eligible projects as intended. In addition, there can be no assurance that eligible projects will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated. None of a failure by the Issuer to allocate the proceeds of the Notes or a failure of a third party to issue (or to withdraw) an opinion or certification in connection with the issue of the Notes or the failure of the Notes issued as "green bonds" to meet investors' expectations requirements regarding any "green", "sustainable", "social" or similar labels will constitute an Event of Default or breach of contract with respect to the Notes.

A failure of the Notes issued as "green bonds" to meet investor expectations or requirements as to their "green", "sustainable", "social" or equivalent characteristics including the failure to apply proceeds for eligible projects, the failure to provide, or the withdrawal of, a third party opinion or certification, or the Notes ceasing to be listed or admitted to trading on any dedicated stock exchange or securities market as aforesaid, may have a material adverse effect on the value of the Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets (which consequences may include the need to sell the Notes as a result of the Notes not falling within the investor's investment criteria or mandate).

None of the Managers accepts any responsibility for any social, environmental and sustainability assessment of the Notes, the use of the proceeds for the Notes, or the contents of the Second-Party Opinion or the HKQAA Pre-issuance Stage Certificate.

None of the Managers accepts any responsibility for any social, environmental and sustainability assessment of the Notes or makes any representation or warranty or assurance whether the Notes will meet any investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels. None of the Managers is responsible for the use of proceeds for the Notes, nor the impact or monitoring of such use of proceeds. The Managers have not undertaken, nor are responsible for, any assessment of the eligibility of the projects within the definition of Eligible Green Projects or the monitoring of the use of proceeds from the offering of the Notes. Each potential investor of the Notes should determine for itself the relevance of the information contained in the Offering Circular regarding the use of proceeds, and its purchase of any Notes should be based upon such investigation as it deems necessary.

In addition, none of the Managers has separately verified the Green Finance Framework of the Issuer. The Second-Party Opinion and the HKQAA Pre-issuance Stage Certificate provide an opinion and a certification respectively on certain environmental and related considerations but are not intended to address any credit, market or other aspects of an investment in the Notes, including without limitation market price, marketability, investor preference or suitability of any security. No representation or assurance is given by the Managers as to the suitability or reliability of the Second-Party Opinion or the HKQAA Pre-issuance Stage Certificate or any opinion or certification of any third party made available in connection with the issue of the Notes. As at the date of the Pricing Supplement, the provider of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Each of the Second-Party Opinion, the HKQAA Pre-issuance Stage Certificate and any other such opinion or certification is not, nor should be deemed to be, a recommendation by the Managers, or any other person to buy, sell or hold the Notes and is current only as of the date it is issued. The criteria and/or considerations that formed the basis of the Second-Party Opinion, the HKQAA Pre-issuance Stage Certificate or any such other opinion or certification may change at any time and the Second-Party Opinion and the HKQAA Pre-issuance Stage Certificate may be amended, updated, supplemented, replaced and/or withdrawn. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein. The Green Finance Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description provided herein. Each of the Second-Party Opinion, the HKQAA Pre-issuance Stage Certificate and any other such opinion or certification does not form part of, nor is incorporated by reference in, the

Pricing Supplement. Furthermore, each of the Second-Party Opinion and the HKQAA Pre-issuance Stage Certificate is for information purposes only and none of the Issuer, the Managers, the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them accepts any form of liability for the substance of the Second-Party Opinion, the HKQAA Pre-issuance Stage Certificate and/or any liability for loss arising from the use of the Second-Party Opinion, the HKQAA Pre-issuance Stage Certificate and/or the information provided therein.

The Notes are not linked to the performance of the eligible projects, do not benefit from any arrangements to enhance the performance of the Notes or any contractual rights derived solely from the intended use of proceeds of such Notes

The performance of the Notes is not linked to the performance of the relevant eligible projects in accordance with the criteria described in "*Green Finance Framework*" or the performance of the Issuer in respect of any environmental or similar targets. There will be no segregation of assets and liabilities in respect of the Notes and the eligible projects. Consequently, neither payments of principal and/or interest on the Notes nor any rights of Noteholders shall depend on the performance of the relevant eligible projects or the performance of the Issuer in respect of any such environmental or similar targets. Noteholders of any of the Notes shall have no preferential rights or priority against the assets of any eligible project nor benefit from any arrangements to enhance the performance of the Notes.

SUBSCRIPTION AND SALE

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Managers, are “capital market intermediaries” (“**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OCs**”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Bank, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Issuer, the Bank, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Bank or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Managers or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Bank, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Bank, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Bank or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in the Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI discloses complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);

- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: hkdcm@cmbc.com.cn; SYNHK@sc.com; dcm@bankcomm.com.hk; TMG_Syndicate@cncbinternational.com; cmd_dcm@cibhk.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Bank, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

USE OF PROCEEDS

An amount equal to the net proceeds from the issue of the Notes will be used to finance and/or refinance eligible green assets or projects as set out in the Green Finance Framework. The Notes are being issued under, and an amount equal to the net proceeds will be applied in accordance with, the Green Finance Framework described in more detail under "*Green Finance Framework*" below.

GREEN FINANCE FRAMEWORK

A summary of the Green Finance Framework is set out below for investors' reference. The full version of the Green Finance Framework is publicly available on the website of the Issuer at https://hk.cmbc.com.cn/. Other than what is expressly disclosed herein, the Green Finance Framework is not incorporated by reference in this Pricing Supplement and shall not form part of this Pricing Supplement.

See also "Risk Factors" in this Pricing Supplement for further information.

1. Green Finance Framework

The Issuer intends to use this green finance framework ("**Framework**") as the basis to issue green bonds and loans ("Green Financing Instruments"), as well as issue green deposits.

The Green Financing Instruments and green deposits will finance projects that are aligned with the International Capital Market Association ("**ICMA**") Green Bond Principles ("**GBPs**") 2021 (with June 2022 Appendix 1)[1] and the Loan Market Association Green Loan Principles ("**GLPs**") 2023[2].

Where relevant, the Issuer will endeavour to align projects to appropriate national and international environmental taxonomies, including the Green Bond Endorsed Projects Catalogue (2021 Edition)[3] issued jointly by the People's Bank of China, the National Development and Reform Commission and the China Securities Regulatory Commission, as well as the Common Ground Taxonomy - Climate Change Mitigation (Updated), published by the International Platform on Sustainable Finance in June 2022[4].

In aligning with the above principles and guidelines, the Issuer's Framework is presented through the four core components of the GBPs and GLPs as well as their recommendation for external review:

a) Use of Proceeds
b) Process for Project Evaluation and Selection
c) Management of Proceeds
d) Reporting

Bond(s) issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Bonds and any loans entered into under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

1.1 Use of Proceeds

The Issuer will allocate an amount at least equivalent to the net proceeds of the Green Financing Instruments issued under this Framework to finance and/or re-finance, in whole or in part.

- Projects which meet the eligibility criteria of the following eligible green project categories ("**Eligible Green Projects**"), as defined as below.

1 In alignment with ICMA Green Bond Principles, June 2021 (with June 2022 Appendix), https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/

2 In alignment with LMA Green Loan Principles, February 2021 (with June 2022 Appendix), https://www.lsta.org/content/green-loan-principles/

3 http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4342400/2021091617180089879.pdf

4 https://ec.europa.eu/info/sites/default/files/business_economy_euro/accounting_and_taxes/documents/220603-international-platform-sustainable-finance-common-ground-taxonomy-table-activities_en.pdf

- General corporate purpose loans to “Pure Play Companies”, which are defined as companies that derive over 90% of their revenues from the green eligibility criteria defined below.

A maximum 3-year look-back period would apply for refinanced projects and the Issuer expects each issuance under this Framework to be fully allocated within 2 years from the date of issuance. The Bank will, where possible, disclose to investors the expected share of financing versus refinancing for any Green Financing Instrument.

Eligible Green Categories

GBP Category	Eligibility Criteria
Renewable Energy	Projects related to the generation, dedicated transmission and storage of energy from the following renewable sources (including maintenance and upgrade of such infrastructure and manufacture of dedicated components for renewable energy): • Solar (PV and Concentrated Solar Power with a minimum 85% of power generation derived from solar sources) • Wind energy (onshore and offshore) • Hydropower, including run-of-river and pumped storage equipment, with either a power density above $10W/m^2$ or GHG emissions below $50gCO_2e/kWh$
Energy Efficiency	Projects related to improved efficiency in the delivery of bulk energy services, including smart grids, energy storage systems that manage the intermittency of renewables and district heating/cooling systems that result in 30% energy savings Projects related to development and implementation of products or technologies that reduce the energy consumption by 30% or more of underlying assets, projects, appliances, products or systems i.e. improved lighting, improved chillers, or reduced power usage in manufacturing operations Projects related to development and manufacture of energy efficiency technologies including LED lights and smart grid meters *For the avoidance of doubt, improvement activities that result in the lock in of fossil fuel technologies will be excluded*
Green Buildings	Projects related to acquisition, development, construction and refurbishment of new or existing commercial or residential buildings that have received, or expect to receive based on its design, construction and operational plans, certification according to third-party verified green building standards, such as: • Chinese Green Building Evaluation Standard – minimum certification level of 2 stars; or

	• U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or • BEAM Plus – minimum certification level of Gold; or • BREEAM – minimum certification level of Excellent; or • BCA Green Mark – minimum certification level of Gold^{PLUS}[1]
Sustainable Water and Wastewater Management	Projects related to construction, operation, maintenance or upgrades, of water collection, treatment, transportation, recycling technologies and related infrastructure, including: • Water/rainwater collection pipes and facilities • Water and wastewater treatment plants (WWTP) including sewage and sludge treatment facilities and reuse of treated wastewater as cooling water or irrigation water • Sewer systems and pumping stations • Urban drainage systems and other forms of flood mitigation • Recirculating cooling and irrigation water systems
Pollution Prevention and Control	Projects related to design, construction, operation and maintenance of facilities, systems or equipment for waste management and recycling, with the aim of reuse and recovery of secondary raw materials and to minimize the amount of waste going to landfills. This includes: • Waste collection, storage and transfer (including waste management vehicles) • Waste sorting, separation and material recovery • Recycling and reuse • Waste-to-energy projects where there is bottom ash recovery
Clean Transportation	Projects related to acquisition, operation and maintenance of fully electrified new energy vehicles for passenger, public rail and freight transportation Investments and expenditure into construction, maintenance and renovation of dedicated charging infrastructure for electric vehicles Projects related to investment, construction, development and operation of fully electrified rail transit facilities, as well as expansions, maintenance and upgrades of these infrastructures that result in improved service levels or extended asset lifespan with preserved carrying capacity. This includes:

[1] For building stock already in operation and specifically aiming for re-certification (Green Mark In-Operation), Green Mark Gold will be the minimum requirement.

	• Manufacture, purchase and maintenance of electrified rolling stock (including locomotives, wagons, coaches and all other attachments propelled through such electrified rolling stock, as well as associated equipment) meeting the below criteria • Construction of the related rail transport infrastructure (networks and lines), including lines, tracks and tunnels Construction of infrastructure that directly supports low carbon transportation, such as ground preparation, stations, signalling equipment, network interfaces including passenger access, ancillary passenger services, facilities required for the safe, clean and efficient operation of the network, utilities and other enabling infrastructure *For avoidance of doubt, infrastructure related to transportation of fossil fuel will be excluded*

1.1.1 Exclusions Criteria

In any case, eligible assets/projects exclude the types of activities listed in the International Finance Corporation Exclusion List (2007)[1]:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES
- Production or trade in weapons and munitions
- Production or trade in alcoholic beverages (excluding beer and wine)
- Production or trade in tobacco
- Gambling, casinos and equivalent enterprises
- Production, generation or trade in fossil fuel
- Production or activities involving harmful or exploitative forms of forced labour/harmful child labour

1.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any of the Issuer's Green Financing Instrument are allocated to finance or refinance Eligible Green Projects that meet the criteria and objectives set out above in section 2.1, Use of Proceeds.

The Issuer’s green finance working group (the “**GFWG**”) will be responsible for governing and implementing the initiatives set out in the Framework.

The GFWG is comprised of certain Bank management personnel, including but not limited to representatives from the following departments for the selection and evaluation of the Eligible Green Projects: General Administration Department, Asset & Liability and Financial Management Department,

[1] https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

Risk Management Department, Corporate Business Management Department, Debt Capital Markets Department, Legal and Compliance Department, Finance Department.

The GFWG will:

- Meet at least two times each year, endeavoured to be distributed evenly throughout the year
- Ratify Eligible Green Projects, which are initially proposed by the constituent team members
- Ensure that all Eligible Green Projects have been assessed in line with the Issuer's ESG risk management system and internal green finance recognition standards
- Undertake regular monitoring of the asset pool to ensure the eligibility of the green projects with the criteria set out above in section 2.1, Use of Proceeds, whilst replacing any ineligible green projects with new Eligible Green Projects
- Facilitate regular reporting on any green issuance in alignment with the Bank's reporting commitments
- Manage any future updates to this Framework
- Ensure that the approval of Eligible Green Projects will follow the Bank's existing loan approval processes

1.3 Management of Proceeds

The proceeds of each of the Issuer's Green Financing Instrument will be deposited in the Issuer's general funding accounts and earmarked for allocation by the Asset & Liability and Financial Management Department towards the Eligible Green Projects using the green finance register.

The green finance register will contain the following information:

I. Green Financing Instrument (bond/loan etc.) details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.

II. Allocation of proceeds:

    a. The Eligible Green Projects list, including for each Eligible Green Project, the Eligible Green Project category, project description, project location, total loan amount, the Bank's loan amount, amount disbursed, settled currency, etc.

    b. Amount of unallocated proceeds

Any proceeds temporarily unallocated will be invested according to the Bank's standard liquidity policy in cash or cash equivalents. For avoidance of doubt, unallocated proceeds would not be invested in any of the sectors / activities included in the Exclusion Criteria as well as any highly polluting, high-carbon emission or resource-intensive projects.

1.4 Reporting

On an annual basis, the Issuer will publish an allocation report and an impact report on its Eligible Green Projects, as detailed below. This reporting will be updated annually until full allocation of the net proceeds of any Green Financing Instrument issued, or until the Green Financing Instrument is no longer outstanding.

1.4.1 Allocation Reporting

a. List of Eligible Green Projects

b. The amount of proceeds allocated to each Eligible Green Project category

c. When possible, descriptions of the Eligible Green Projects financed, such as project locations, amount allocated, etc.

d. Share of financing vs. refinancing

e. Selected examples of projects financed

f. Amount of unallocated Proceeds

1.4.2 Impact Reporting

The Bank will provide reporting on the environmental and social benefits of the Eligible Green Projects. Subject to data availability and confidentiality, impact reporting may cover the following impact reporting metrics listed below, and where available, taking reference from the relevant indicators suggested in the ICMA Harmonized Framework for Impact Reporting[1]. In addition, calculation methodologies and key assumptions will be disclosed.

Eligible Green Project Categories	Impact Reporting Metrics
Renewable Energy	• Capacity of renewable energy plant(s) constructed or rehabilitated in MW • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent (where possible)
Energy Efficiency	• Annual energy savings in MWh (electricity) and GJ/TJ (other energy savings)
Green Buildings	• Type of scheme, certification level • Energy efficiency gains in MWh or % versus baseline/building code
Sustainable Water and Wastewater Management	• Annual reduction in water use in % • Annual amount of wastewater treated, reused or avoided before and after the project in m3/a
Pollution Prevention and Control	• Waste treated/reduced/avoided (tonnes) • Annual GHG emissions reduced/avoided (tonnes of CO2 equivalent)
Clean Transportation	• Number and type of clean transportation infrastructure financed • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent

2. External Review

2.1 Second Party Opinion

The Issuer has appointed Moody’s Investor Service (“**MIS**”) to assess this Framework and its alignment with the GBPs and GLPs and issue a Second Party Opinion accordingly. In addition, the Bank intends to obtain Hong Kong Quality Assurance Agency's Pre-Issuance Stage Certification of the green bond issuance under the Green and Sustainable Finance Certification Scheme.

[1] https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-December-2020-151220.pdf

The Second Party Opinion has been made publicly available on the Bank's official website https://hk.cmbc.com.cn/. The Second-Party Opinion is not incorporated into, and does not form part of, the Offering Circular.

2.2 Post issuance external verification

In order to provide timely and transparent information about the reporting of the funds from Green Financing Instruments issued under this Framework, the Bank intends to engage a third party reviewer to provide an annual assessment on the alignment of the allocation of funds with the Framework's criteria.

3. Amendments to this Framework

The GFWG will review this Framework on a regular basis, including its alignment to updated versions of the principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Bank and MIS. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on the Bank's website and will replace this Framework.

THE HKQAA GREEN AND SUSTAINABLE FINANCE CERTIFICATION SCHEME

Information relating to the HKQAA in this Pricing Supplement has been obtained from public sources, including the Green and Sustainable Finance Certification Scheme Handbook (as defined below) and other publicly available information. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Managers, the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them, and none of the Issuer, the Managers, the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them makes any representation as to the accuracy or completeness of that information.

THE HKQAA

The HKQAA is a non-profit distributing organisation established by the Hong Kong Government.

THE HKQAA GREEN AND SUSTAINABLE FINANCE CERTIFICATION SCHEME

The HKQAA Green and Sustainable Finance Certification Scheme was developed with reference to, among others, the Clean Development Mechanism under the United Nations Framework Convention on Climate Change, the Green Bond Principles published by the International Capital Market Association and the Green Bond Endorsed Projects Catalogue jointly announced by the PBOC, the NDRC and the CSRC. The benefits of the HKQAA Green and Sustainable Finance Certification Scheme include (i) enhancing the credibility of and stakeholder confidence in the management framework of the debt instrument via independent, impartial third-party conformity assessments, (ii) reaching out to potential investors with specific focus on green and sustainable finance with the aid of the certificate and certification mark, (iii) demonstrating issuer's efforts to help with the green and sustainable development, and (iv) promoting a common understanding of green and sustainable finance.

Under the HKQAA Green and Sustainable Finance Certification Scheme, an applicant may apply for either (i) a pre-issuance stage certificate or (ii) a post-issuance stage certificate.

For pre-issuance stage certification, the certification aims to validate the adequacy, including the readiness of the method statement (the "**Method Statement**"), which is an information form stating methods of the applicant to achieve the intended contribution to green and sustainable development and to demonstrate compliance towards the requirements of the HKQAA Green and Sustainable Finance Certification Scheme Handbook (the "**Green and Sustainable Finance Certification Scheme Handbook**"). Assessment will focus on the requirements related to establishing and documenting objective, mechanism (including strategies, methodology, criteria, procedure and work form template and competence). Implementation record is not required for this stage.

For post-issuance stage certification, the certification aims to validate the adequacy and also verify the implementation effectiveness of the Method Statement. The assessment will go beyond those covered in pre-issuance stage certification. Implementation record of mechanism, process, practice and demonstration are also required for assessment.

Post-issuance Stage Certificate covers both pre-issuance requirement and post-issuance requirement. It is not a prerequisite for post-issuance stage certificate applicant to possess pre-issuance stage certificate. Pre-issuance certificate stage applicant may opt to apply post-issuance stage certificate as the applicant thinks fit. For pre-issuance stage certificate holders who wish to apply for post-issuance stage certificate, the pre-issuance requirements could be waived under the condition that no change in the Method Statement has been made since the certification of pre-issuance stage certificate.

When the HKQAA has completed its assessment and validation of the Method Statement and no issues of nonconformity are outstanding, it will make a recommendation of certification to the Certification

Review Board which reviews and approves the recommendation. Upon such approval, a pre-issuance stage certificate and a Certification Mark (a trademark designed by the HKQAA indicating that a specified debt instrument issued by an applicant is duly certified under the HKQAA Green and Sustainable Finance Certification Scheme) are issued to the applicant.

After certificate issuance, HKQAA will update the list of certification on HKQAA's website, including the name of the debt instrument, the applicant, stage of the certificate, the Method Statement and other relevant information to achieve high transparency towards the public. Taking into account confidentiality considerations in the loan market, loan applicant may make Method Statement available only to lender of the loan. The applicant is required to authorize HKQAA to provide Method Statement to those lenders. Upon enquiry requesting for Method Statement, HKQAA will notify and confirm with the applicant before providing Method Statement to the enquirer.

For an as-at certificate, if an applicant makes any change to its Method Statement after the issuance of the certificate, the corresponding certificate will be regarded as invalid. An applicant shall inform the HKQAA in writing for any change in its Method Statement within one month after the occurrence of the foreseeable or actual changes. An applicant shall make a new application to the HKQAA for the certification with the revised Method Statement.

The Issuer has requested the HKQAA to issue a HKQAA Pre-issuance Stage Certificate confirming that the Notes are in compliance with the requirements of the HKQAA Green and Sustainable Finance Certification Scheme. It is expected that the HKQAA Pre-issuance Stage Certificate will be obtained on or before the Issue Date for the Notes.

HKQAA CERTIFICATION DISCLAIMER

The expected issuance of the HKQAA Pre-issuance Stage Certificate relating to the Notes by the HKQAA is based solely on the Green and Sustainable Finance Certification Scheme Handbook and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Notes or any Eligible Green Projects, including but not limited to the Offering Circular, the transaction documents, the Bank, the Issuer, or the management of the Bank or the Issuer.

The expected issuance of the HKQAA Pre-issuance Stage Certificate relating to the Notes by the HKQAA was addressed solely to the Issuer and is not a recommendation to any person to purchase, hold or sell the Notes and such certification does not address the market price or suitability of the Notes for a particular investor. The certification also does not address the merits of the decision by the Issuer or any third party to participate in any Eligible Green Projects and does not express and should not be deemed to be an expression of an opinion as to the Issuer or any aspect of any Eligible Green Projects (including but not limited to the financial viability of any Eligible Green Projects) other than with respect to conformance with the Green and Sustainable Finance Certification Scheme Handbook.

In issuing the HKQAA Pre-issuance Stage Certificate, HKQAA shall not be liable for any loss or damage suffered by any person whatsoever or howsoever caused by, arising from and/or in connection with, whether directly or indirectly, the certification of the Notes.

The HKQAA Pre-issuance Stage Certificate does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Notes and/or the payment of principal at maturity or any other date.

The HKQAA Pre-issuance Stage Certificate may be withdrawn at any time in HKQAA's sole and absolute discretion and there can be no assurance that the HKQAA Pre-issuance Stage Certificate will not be withdrawn.