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本公告及隨附的上市文件僅供參考之用，並不構成收購、購買或認購證券的邀請或要約，或訂立任何協議以作出任何該等事宜的邀請，亦不被視作收購、購買或認購任何證券的任何要約邀請。

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)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。根據該計劃(定義見下文)將予發行的票據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，且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(定義見下文)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，且該計劃已經以及票據(以將於香港聯合交易所有限公司上市的票據為限)將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
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)

5,000,000,000 美元中期票據計劃(「該計劃」)

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2025年9月17日的發售通函(「發售通函」)。誠如發售通函所披露，根據該計劃將予發行的中期票據(「票據」)擬僅供專業投資者(定義見上市規則第37章)購買，且該計劃已經以及票據(以將於香港聯交所上市的票據為限)將以此為基礎於香港聯交所上市。

發售通函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。

發售通函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。

2025年9月18日

於本公告日期，本行執行董事為高迎欣先生、王曉永先生及張俊潼先生；非執行董事為劉永好先生、史玉柱先生、宋春風先生、趙鵬先生、梁鑫傑先生及林立先生；獨立非執行董事為曲新久先生、溫秋菊女士、宋煥政先生、楊志威先生、程鳳朝先生及劉寒星先生。

目錄

日期為2025年9月17日的發售通函

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, as amended and supplemented by the first supplemental dealer agreement dated 17 September 2025 (collectively, “**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 28 February 2025 (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 depository 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 “Baa3” by Moody’s Investors Service, Inc. (“**Moody’s**”). 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 17 September 2025

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 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 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”), or any director, officer, employee, agent or affiliate of any such person. 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, or any director, officer, employee, agent or affiliate of any such person 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 and the Bank. 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 or any director, officer, employee, agent or affiliate of any such person 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 Group 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 Arrangers, the Dealers and the Agents 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 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, the Bank 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, the Bank and their 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, the Bank and the Group 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 RMB7.1636 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 2025. 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 2023 and 2024. The consolidated financial statements as at and for the year ended 31 December 2023 were audited by PricewaterhouseCoopers (“**PwC**”), the then independent auditor of the Bank, and prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the “**IASB**”). The audited consolidated financial statements as at and for the year ended 31 December 2024 were audited by KPMG (“**KPMG**”), the independent auditor of the Bank, and prepared in accordance with IFRS Accounting Standards issued by the IASB. The audited consolidated financial statements as at and for the years ended 31 December 2023 and 2024 were extracted from the Group’s published annual reports for the years ended 31 December 2023 and 2024 respectively and have been published on the HKSE.

This Offering Circular contains the unaudited but reviewed condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2024 (the “**2024 Interim Financial Statements**”). The 2024 Interim Financial Statements were prepared in accordance International Accounting Standard 34 “Interim Financial Reporting” 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 International Auditing and Assurance Standards Board (the “**IAASB**”), as stated in its report appearing herein. The 2024 Interim Financial Statements were extracted from the Group’s published interim reports for the six months ended 30 June 2024 and have been published on the HKSE.

This Offering Circular contains the unaudited but reviewed condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2025 (the “**2025 Interim Financial Statements**”). The 2025 Interim Financial Statements were prepared in accordance International Accounting Standard 34 “Interim Financial Reporting” and reviewed by KPMG 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 2025 Interim Financial Statements were extracted from the Group’s published results announcement for the six months ended 30 June 2025 and have been published on the HKSE.

The 2025 Interim Financial Statements and the 2024 Interim Financial Statements (collectively, the “**Interim Financial Statements**”) 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 the 2025 Interim Financial Statements 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 2025 or any period thereafter. None of the Arrangers 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 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.

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”	Former China Banking and Insurance Regulatory Commission (原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.

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 2025, 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 2025, the Bank remained one of the national systematically important banks in China.

As at 30 June 2025, the Group’s total assets, total loans and advances to customers, and total deposits from customers (excluding accrued interest) amounted to RMB7,768.9 billion, RMB4,469.9 billion and RMB4,311.0 billion, respectively. For the six months ended 30 June 2025, the Group had a net profit of RMB21.5 billion. The Group delivered steady returns for the six months ended 30 June 2025, achieving annualised return on average assets and annualised return on weighted average equity of 0.55 per cent. and 7.14 per cent., respectively. As at 30 June 2025, the Group’s NPL ratio was 1.48 per cent..

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 is headquartered in Beijing and has established an extensive business network, which included 43 tier-one branches and 105 tier-two branches (including remote sub-branches), 2,416 business outlets of sub-branches, including 1,254 general sub-branches (including business departments), 1,020 community subbranches and 142 small business sub-branches as at 30 June 2025.

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 2024, the Group’s total operating income was RMB133.1 billion, as compared with RMB137.4 billion for the year ended 31 December 2023, representing a decrease of 3.11 per cent.. For the year ended 31 December 2024, operating income from the Group’s corporate business, retail business and other business amounted to RMB68.3 billion, RMB54.9 billion and RMB10.0 billion, respectively, representing 51.3 per cent., 41.2 per cent. and 7.5 per cent., respectively, of the Group’s total operating income for the same year.

For the six months ended 30 June 2025, the Group’s total operating income was RMB70.7 billion, as compared with RMB65.6 billion for the six months ended 30 June 2024, representing an increase of 7.79 per cent.. For the six months ended 30 June 2025, operating income from the Group’s corporate business, retail business and other business amounted to RMB35.3 billion, RMB28.6 billion and RMB6.8 billion, respectively, representing 49.99 per cent., 40.40 per cent. and 9.61 per cent., respectively, of the Group’s total operating income for the same period.

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.

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.

The Bank also aims to strategically position itself as a bank for the NSOEs, a fintech-based bank and a bank of comprehensive services.

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 <i>vice versa</i>. 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 “ <i>Terms and Conditions of the Notes – Events of Default</i> ”.
Ratings	The Programme is rated “Baa3” by Moody’s. 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 “ <i>Terms and Conditions of the Notes – Redemption, Purchase and Options</i> ”.
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 “ <i>Terms and Conditions of the Notes – Taxation</i> ”.
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 “ <i>Subscription and Sale</i> ” 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 years ended 31 December 2022 and 2023 set forth below has been extracted from the Group's audited consolidated financial statements as at and for the year ended 31 December 2023, which has been prepared in accordance with IFRS Accounting Standards issued by the IASB and the summary financial information as at and for the year ended 31 December 2024 set forth below has been extracted from the Group's audited consolidated financial statements as at and for the year ended 31 December 2024, which has been prepared in accordance with IFRS Accounting Standards issued by the IASB.

The summary financial information as at and for the years ended 31 December 2022, 2023 and 2024 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 2023 and 2024 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 2025 and for the six months ended 30 June 2025 has been extracted from the 2025 Interim Financial Statements included in the Group's published results announcement for the six months ended 30 June 2025 and prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The summary interim financial information for the six months ended 30 June 2024 has been extracted from the 2024 Interim Financial Statements included in the Group's published interim report for the six months ended 30 June 2024 and prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The Interim Financial Statements 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 the 2025 Interim Financial Statements 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 2025 or any period thereafter. None of the Arrangers 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 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.

The summary interim financial information as at 30 June 2025 and for the six months ended 30 June 2024 and 2025 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 2024 and 2025, respectively, including the notes thereto, which are included elsewhere in this Offering Circular.

Selected Financial Information

Consolidated Statements of Profit or Loss Data

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024 (Unaudited)	2025 (Unaudited)
(in millions of Renminbi, except per share amounts)					
Interest income	262,937	267,126	251,086	127,963	113,980
Interest expense	(155,474)	(164,695)	(152,396)	(79,381)	(64,777)
Net interest income	107,463	102,431	98,690	48,582	49,203
Fee and commission income	25,470	25,476	22,094	11,458	11,225
Fee and commission expense	(5,196)	(6,240)	(3,849)	(1,813)	(1,540)
Net fee and commission income	20,274	19,236	18,245	9,645	9,685
Net trading gain	4,690	4,748	3,554	4,001	2,203
Net gain from investment securities . . .	4,357	8,529	10,019	1,854	8,883
Including: disposals of financial assets measured at amortised cost	2,202	1,795	1,867	1,024	2,772
Net other operating income	2,435	2,447	2,615	1,507	727
Operating expenses	(52,602)	(52,807)	(53,098)	(21,453)	(21,522)
Credit impairment losses	(48,762)	(45,707)	(45,474)	(20,551)	(26,039)
Other impairment losses	(685)	(1,519)	(466)	(109)	(346)
Profit before income tax	37,170	37,358	34,085	23,476	22,794
Income tax expense	(1,393)	(1,372)	(1,363)	(767)	(1,318)
Net profit	35,777	35,986	32,722	22,709	21,476
Net profit attributable to:					
Equity holders of the Bank	35,269	35,823	32,296	22,474	21,380
Non-controlling interests	508	163	426	235	96
Earnings per share (in Renminbi)					
Basic and diluted earnings per share . .	0.71	0.72	0.64	0.43	0.45

Consolidated Statements of Comprehensive Income Data

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024 (Unaudited)	2025 (Unaudited)
	(in millions of Renminbi)				
Net profit	35,777	35,986	32,722	22,709	21,476
Other comprehensive income of the year, net of tax	(846)	2,732	5,251	2,036	(1,496)
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	549	128	146	280
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)	2,043	4,646	1,825	(1,889)
– Allowance for impairment losses	(521)	(48)	383	17	142
– Effective hedging portion of gains or losses arising from cash flow hedging instruments	8	(18)	5	23	32
– Exchange difference on translating foreign operations	974	206	89	25	(61)
Total comprehensive income of the year	34,931	38,718	37,973	24,745	19,980
Total comprehensive income attributable to:					
Equity holders of the Bank	34,143	38,365	37,461	24,442	19,902
Non-controlling interests	788	353	512	303	78

Consolidated Statements of Financial Position Data

	As at 31 December			As at 30 June
	2022	2023	2024	2025 (Unaudited)
	(in millions of Renminbi)			
Assets				
Cash and balances with central bank ..	338,552	390,367	285,449	285,183
Balances with banks and other				
financial institutions	88,705	129,678	117,731	144,879
Precious metals	25,167	28,285	31,136	71,540
Placements with banks and other				
financial institutions	182,434	172,778	186,456	162,928
Derivative financial assets	33,878	24,797	30,283	24,132
Financial assets held under resale				
agreements	3,010	35,773	76,958	34,808
Loans and advances to customers	4,072,982	4,323,908	4,396,036	4,413,765
Financial investment:				
– Financial assets at fair value through				
profit or loss	389,070	320,547	377,457	375,135
– Financial assets measured at				
amortised cost	1,363,589	1,531,024	1,480,798	1,385,594
– Financial assets at fair value through				
other comprehensive income	473,211	420,571	540,447	588,137
Long-term receivables	111,456	119,434	112,382	104,677
Property and equipment	58,896	60,490 ⁽¹⁾	59,347	57,586
Right-of-use assets	13,146	13,279	12,650	11,966
Deferred income tax assets	55,701	54,592	58,149	58,150
Other assets	45,876	49,442 ⁽¹⁾	49,690	50,441
Total assets	7,255,673	7,674,965	7,814,969	7,768,921
Liabilities				
Borrowings from central bank	144,801	326,454	261,108	250,488
Deposits and placements from banks				
and other financial institutions	1,479,041	1,242,059	1,073,706	804,054
Financial liabilities at fair value				
through profit or loss	1,915	35,827	43,228	68,644
Borrowings from banks and other				
financial institutions	105,229	115,715	111,993	108,503
Derivative financial liabilities	32,675	29,276	34,073	31,443
Financial assets sold under repurchase				
agreements	104,140	191,133	248,124	252,452
Deposits from customers	4,051,592	4,353,281	4,332,681	4,382,087
Lease liabilities	9,426	9,560	9,078	8,614
Provisions	2,456	1,787	1,730	1,613
Debt securities issued	648,107	675,826	941,025	1,049,973
Current income tax liabilities	5,040	1,392	4,548	4,890
Deferred income tax liabilities	236	214	243	239
Other liabilities	58,201	54,640	96,864	103,609
Total liabilities	6,642,859	7,037,164	7,158,401	7,066,609

	As at 31 December			As at 30 June
				2025
	2022	2023	2024	(Unaudited)
	(in millions of Renminbi)			
Equity				
Share capital	43,782	43,782	43,782	43,782
Other equity instruments	94,962	94,962	95,000	125,000
Including:				
Preference shares	19,975	19,975	20,000	20,000
Perpetual bonds	74,987	74,987	75,000	105,000
Capital reserve	58,149	58,149	58,087	58,087
Surplus reserve	55,276	58,805	61,888	61,888
General reserve	90,494	95,237	99,279	99,429
Other reserves	(612)	2,022	7,192	5,705
Retained earnings	257,877	271,645	277,631	294,653
Total equity attributable to equity holders of the Bank	599,928	624,602	642,859	688,544
Non-controlling interests	12,886	13,199	13,709	13,768
Total equity	612,814	637,801	656,568	702,312
Total liabilities and equity	7,255,673	7,674,965	7,814,969	7,768,921

Selected Consolidated Statements of Cash Flows Data

	Year ended 31 December			Six months ended 30 June	
				2024	2025
	2022	2023	2024	(Unaudited)	(Unaudited)
	(in millions of Renminbi)				
Net cash flow from operating activities	166,273	73,676	(231,638)	(283,843)	(219,043)
Net cash flow from investing activities	(112,327)	41,764	(42,821)	34,359	107,517
Net cash flow from financing activities	(96,205)	(7,260)	221,860	125,005	125,190

Selected Financial Ratios

	Year ended/as at 31 December			Six months ended 30 June	Six months ended/ as at 30 June
	2022	2023	2024	2024	2025
(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	9.17	9.28	9.36	—	9.50
Tier 1 CAR	10.91	10.95	11.00	—	11.62
CAR	13.14	13.14	12.89	—	13.25
Assets quality indicators					
NPL ratio ⁽¹⁾	1.68	1.48	1.47	—	1.48
Allowance to NPLs ⁽²⁾	142.49	149.69	141.94	—	145.06
Allowance to total loans ⁽³⁾	2.39	2.22	2.09	—	2.14
Profitability indicators					
Net interest margin ⁽⁴⁾	1.60	1.46	1.39	1.38	1.39
Return on average assets ⁽⁵⁾	0.50	0.48	0.42	0.60	0.55
Return on weighted average equity ⁽⁶⁾	6.31	6.10	5.18	7.04	7.14
Cost-to-income ratio ⁽⁷⁾	36.44	37.00	38.55	31.36	29.22
Net fee and commission income to operating income ratio ⁽⁸⁾	14.56	14.00	13.71	14.71	13.70
Liquidity indicators					
Liquidity ratio ⁽⁹⁾	51.30	66.63	82.95	—	74.46
Liquidity coverage ratio ⁽¹⁰⁾	134.89	146.06	161.99	—	155.16

(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 former 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.

RISK FACTORS

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 of loans and advances to customers. As at 31 December 2022, 2023 and 2024, and as at 30 June 2025, the Group's total allowance for impairment losses of loans and advances to customers was RMB98,868 million, RMB97,444 million and RMB93,129 million, and RMB95,816 million, and the percentage of the allowance to total loans was 2.39 per cent., 2.22 per cent. and 2.09 per cent., and 2.14 per cent., respectively. 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 non-performing loan ("NPL") ratios were 1.68 per cent., 1.48 per cent. and 1.47 per cent., and 1.48 per cent. as at 31 December 2022, 2023 and 2024,

and as at 30 June 2025, respectively. The Group's special-mention loans constituted 2.89 per cent., 2.70 per cent. and 2.70 per cent., and 2.72 per cent. of its gross loans and advances to customers as at 31 December 2022, 2023 and 2024, and as at 30 June 2025, respectively. The Group's impaired restructured loans and advances which were not past due or past due for no more than 90 days represented 0.09 per cent., 0.23 per cent. and 0.42 per cent., and 0.42 per cent. of its total loans and advances to customers as at 31 December 2022, 2023 and 2024, and as at 30 June 2025, 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 RMB4,141.144 billion as at 31 December 2022 to RMB4,384.877 billion as at 31 December 2023, to RMB4,450.480 billion as at 31 December 2024, and further to RMB4,469.874 billion as at 30 June 2025, together with the increasing trend recorded in impaired loans at the same time, amounting to RMB79,139 million, RMB86,020 million, RMB86,991 million and RMB87,740 million as at the same dates, respectively. *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, NPLs 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 2025, the Group's corporate loans represented 61.01 per cent. of its total loans. As at 30 June 2025, the Group's loans to borrowers in the leasing and commercial services, manufacturing, real estate, wholesale and retail and transportation, storage and postal services sectors were approximately 13.16 per cent., 10.87 per cent., 7.44 per cent., 6.45 per cent. and 4.29 per cent. of the Group's corporate loans, respectively. As at 30 June 2025, the corporate loans of the Group were mainly concentrated in the industries of leasing and commercial services, manufacturing, and real estate. Of which, total loans to the leasing and commercial services industry amounted to RMB588,427 million, representing an increase of RMB41,357 million as compared with the end of the previous year. Total loans to the manufacturing industry amounted to RMB485,863 million, representing a decrease of RMB22,601 million as compared with the end of the previous year, mainly due to the decrease in the scale of discounted bills. Total loans to the real estate industry amounted to RMB332,648 million, representing a decrease of RMB791 million as compared with the end of the

previous year. Any deterioration of the leasing and commercial services, manufacturing or real estate industries, or other above-mentioned industries in the PRC as a result of the global and PRC 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 real estate market in recent years has been experiencing difficulties marked by declining property values, developer debt issues, and a slowdown in construction. Such factors may adversely affect the 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 other 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 2025, the corporate NPLs of the Group were mainly concentrated in the industries of real estate, manufacturing and leasing and commercial services. Total NPLs of the three major industries amounted to RMB23,805 million, accounting for 71.87 per cent. of total corporate NPLs. The changes in relation to NPL were mainly due to the impact of downgrading of certain corporate clients in the leasing and commercial services industry, and therefore the Bank recorded an increase of RMB3,916 million of NPL in such industry as compared with the end of the previous year. Due to the intensified efforts of NPL disposal in the real estate industry, the amount of NPLs in such industry saw a decrease of RMB5,112 million as compared with the end of the previous year. 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 RMB621.6 billion, RMB651.8 billion and RMB643.0 billion, and RMB620.9 billion as at 31 December 2022, 2023 and 2024, and as at 30 June 2025, respectively, representing 35.7 per cent., 36.9 per cent., 36.3 per cent. and 35.6 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 NAFR 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 priorities 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 2025, the Group's placements with banks and other financial institutions amounted to RMB162.9 billion and financial assets held under resale agreements amounted to RMB34.8 billion, accounting for 2.10 per cent. and 0.45 per cent. of its total assets, respectively. As at 30 June 2025, the Group's deposits and placements from banks and other financial institutions amounted to RMB804.1 billion and the financial assets sold under repurchase agreements amounted to RMB252.5 billion, accounting for 11.38 per cent. and 3.57 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. 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 the 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 2025, 68.29 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 performance 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 measures and manages the quality of its on-balance sheet and off-balance sheet financial assets exposed to credit risk in accordance with the Measures for the Risk-based Classification of Financial Assets by Commercial Banks (Decree [2023] No. 1 of the CBIRC and the PBC). The Bank has formulated the Administrative Measures for Risk Classification of Financial Assets of China Minsheng Banking Corporation Limited to classify its financial assets by their risk level into five categories. The five categories are Normal, Special-Mention, Substandard, Doubtful and Loss, with assets classified into the latter three categories collectively referred to as “non-performing assets” to clarify the three-level procedures of “initial classification, affirmation and approval” for risk classification, and strictly conduct risk classification management. 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 sufficient 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 NAFR.

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 promulgated the new 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 in the PRC 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 2022, 2023 and 2024, and as at 30 June 2025, the Group's Core Tier 1 Capital Adequacy Ratio was 9.17 per cent., 9.28 per cent. and 9.36 per cent., and 9.50 per cent., respectively, and the Group's Tier 1 Capital Adequacy Ratio was 10.91 per cent., 10.95 per cent. and 11.00 per cent., and 11.62 per cent., respectively, and the Group's Capital Adequacy Ratio was 13.14 per cent., 13.14 per cent. and 12.89 per cent., and 13.25 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 incidents 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 total deposits from customers.

In the past several years, the Group has managed to secure robust compound annual growth rates of total deposits from customers. The Group's total deposits from customers grew from RMB4,249,095 million as at 31 December 2024 to RMB4,311,002 million as at 30 June 2025.

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. Therefore, the Group may not be able to successfully maintain the growth rates it has historically experienced due to an unfavourable change in one or more of the above factors or other factors. For instance, as at 31 December 2024, total deposits from customers amounted to RMB4,249,095 million, representing a decrease of RMB33,908 million, or 0.79 per cent., as compared with the end of the previous year.

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.”*

If the Group is unable to maintain the growth in its 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. The Group's total deposits from customers grew from RMB4,249,095 million as at 31 December 2024 to RMB4,311,002 million as at 30 June 2025. However, as at 31 December 2024, total deposits from customers amounted to RMB4,249,095 million, representing a decrease of RMB33,908 million, or 0.79 per cent., as compared with the end of the previous year.

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.

Furthermore, if the Group is unable to maintain the growth 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 2025, the Group's allowance to total loans was 2.14 per cent. and the NPL ratio was 1.48 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 2022, 2023 and 2024, and for the six months ended 30 June 2024 and 2025, the Group's cost-to-income ratio¹ was 36.44 per cent., 37.00 per cent. and 38.55 per cent., and 31.36 per cent. and 29.22 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 2025, total NPLs of the Group amounted to RMB66,052 million, representing an increase of RMB442 million as compared with the end of the previous year. As at 30 June 2025, the NPL ratio was 1.48 per cent., representing an increase of 0.01 percentage points as compared with the end of the previous year. As at 30 June 2025, the allowance for impairment losses on loans was RMB95,816 million, representing an increase of 2.89 per cent. from RMB93,129 million as at 31 December 2024. 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.

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, security or malware 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 NAFR 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 August 2023, PBOC cut the one-year loan prime rate from 3.55 per cent. to 3.45 per cent. and further cut the five-year rate from 4.20 per cent. to 3.95 per cent whilst the latest one-year loan prime rate was 3.00 per cent. and five-year rate was 3.50 per cent. as at 20 August 2025. 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 NPLs 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 NPLs. 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. For example, the Group recorded decreases in its net fee and commission income during the past several years, including: for the year ended 31 December 2023, the net fee and commission income of the Group was RMB19,236 million, representing a decrease of RMB1,038 million, or 5.12 per cent., as compared with the corresponding period of the year of 2022, mainly due to that impacted by the capital market, the scale of asset management products such as wealth management decreased, which led to a decrease in commission income from custody and other fiduciary services; and for the year ended 31 December 2024, the net fee and commission income of the Group was RMB18,245 million, representing a decrease of RMB991 million, or 5.15 per cent., as compared with the corresponding period of the year of 2023, mainly due to the fee rate reduction in insurance agency and fund agency, which led to the decrease in the fee income from agency and fiduciary services as compared with the corresponding period of year of 2023.

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 any issuance of the Notes by the Issuer, the Group does not intend to make any filing with PBOC under the 2017 Macro-prudential Management Circular. Any issuance of the Notes 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.

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. 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 need to 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 NPLs 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.

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 2025, the net interest income represented 69.59 per cent. of the Group's operating income, and for the same period of 2024, the net interest income represented 74.07 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.

For instance, for the year ended 31 December 2023, the net interest income of the Group amounted to RMB102,431 million, representing a decrease of RMB5,032 million, or 4.68 per cent., as compared with the corresponding period of the previous year. For the year ended 31 December 2024, the net interest income of the Group amounted to RMB98,690 million, representing a decrease of RMB3,741 million, or 3.65 per cent., as compared with the corresponding period of the year of 2023.

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. There is no assurance 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.

More recently, the outlook for the world economy and financial markets remains uncertain. The Russo-Ukrainian conflict, the conflict in Israel and Gaza and other recent geopolitical events, such as Israel-Iran conflict and the protest in Indonesia, have led to significant volatility in the global markets. The extent and duration of such conflicts or unease, 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 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.

Furthermore, the prolonged trade dispute between the United States and the PRC may continue to weaken the global economy, raise prices for corporate investments and slow down economic growth around the globe. Even though the United States and China entered into an initial phase of trade deal in early 2020, however the sources of tension remain in the US-China trade relationship. As a result, in the first half of 2025, the momentum of the global economic recovery remained weak amid on-going tariff war and geopolitical tensions. However, benefiting from effective policy support and the gradual restoration of endogenous momentum, China's economy showed strong resilience, with a period-to-period gross domestic product ("GDP") growth of approximately 5.3 per cent. in the first half of 2025, maintaining its leading position among major global economies. Nevertheless, there is still uncertainty in the global macro-economic environment, especially in terms of the sale of financial products, corporate investments and securities trading. 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 NPL 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 NPLs 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 regulation 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, 2023 and 2024, the PRC's GDP growth rate recorded a real growth of 3.0 per cent., 5.2 per cent. and 5.0 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 implemented 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.

The Group is subject to the PRC government regulations 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, there is no assurance of 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.

The enforcement of foreign judgments in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Group is subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions.

On 18 January 2019, the Supreme People’s Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region (關於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**”). The 2019 Arrangement has been implemented in Hong Kong by the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645), which came into operation on 29 January 2024. In the Mainland, the Supreme People’s Court promulgated a judicial interpretation to implement the 2019 Arrangement on 25 January 2024 (the “**Judicial Interpretation**”). The 2019 Arrangement applies to judgments made on or after 29 January 2024.

Unlike other bonds issued in the international capital markets where holders of such bonds would typically not be required to submit to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, the Noteholders’ ability to initiate a claim outside Hong Kong will be limited.

Under the 2019 Arrangement, where the Hong Kong court has given a legally effective judgment in a civil and commercial matter, any party concerned may apply to the relevant People’s Court of the Mainland for recognition and enforcement of the judgment, subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement and the Judicial Interpretation. The recognition and enforcement of a Hong Kong court judgment could be refused if the relevant People’s Court of the Mainland considers that the enforcement of such judgment is contrary to the basic principles of law of the Mainland or the social and public interests of the Mainland. While it is expected that the relevant People’s Courts of the Mainland will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that such courts will do so for all such judgments as there is no established practice in this area.

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/or 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 or medium to long term loans with a term of not less than one year issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within ten PRC working days after the issue date.

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-issuance and continuing reporting obligations (such as post-issuance 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.

In addition, the administration of the NDRC Administrative Measures may be subject to a certain degree of executive and policy discretion by the NDRC. There is no assurance that any future change in PRC laws and regulations relating to the interpretation of the NDRC Administrative Measures and its related rules would not have a negative impact on the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

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. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted. 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.

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 disappplied;
- (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:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_{i-xUSBD} \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

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:

“**SOFR_{i-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;

“**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 do, 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

“**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:

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

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:

“**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;

“**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 do, 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

“**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:

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

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:

“**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;

“**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 do, 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

“**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:

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

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:

“**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;

“**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 do, 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

“**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:

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

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_{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_{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);

“**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)):

$$\left(\prod_{i=1}^n \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \left(\frac{360}{d_c} \right)$$

where:

“**d_c**” means the number of calendar days in the relevant Observation Period.

“**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 do, 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)**”).

“**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).

“**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:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” 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 D₁ is greater than 29, in which case D₂ 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:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“**D₂**” 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 D₂ 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:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” 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 D₁ will be 30; and

“**D₂**” 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 D₂ 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;
- (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; and
- (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;
 - (B) in the case of Notes denominated in Renminbi, by transfer to the registered account of the Noteholder; and
 - (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(d) 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 unmaturred Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturred Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturred 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, unmaturred 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 unmaturred Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturred 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 depository for Euroclear and Clearstream (the “**Common Depository**”) or a sub-custodian for the HKMA as operator of the CMU.

Upon the initial deposit of a Global Note with the Common Depository 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 Depository 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 Depository 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).]]¹

[Paragraph 21 of the Hong Kong SFC Code of Conduct – As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of Notes, prospective investors should refer to the section on “*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*” appearing on pages [●] to [●] of the Offering Circular, and CMIs (as defined in the Offering Circular) should refer to the section on “*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)*” appearing on pages [●] to [●] of the Offering Circular.]

[[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, together with the Offering Circular (as defined below) [and the Supplemental Offering Circular (as defined below)], 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.]

¹ 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 Branch²

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (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 17 September 2025 (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]

² 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 on/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) Business Centre(s) (Condition 5(j)):	[Give details] [“Business Day” for the purpose of Condition 5(j) of these Notes shall include the following: [(a)] [repeat the details of the Business Centre(s) as per above if applicable] [; and] [(b)] [New York City]/[Hong Kong]/[Singapore]/[London]/[TARGET Business Day (being any day on which T2 is open for the settlement of payments in euro)]/Business Day in Beijing/Business Day in Hong Kong/Business Day in London.]
(iv) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount ⁽⁴⁾
(v) 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]
(vi) 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)

(vii) Determination Date(s) (Condition 5(j)):	[●] in each year. <i>[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]</i> ⁽⁵⁾
(viii) 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 (<i>give details</i>)]
(v) Business Centre(s) (Condition 5(j)):	[Give details] [“Business Day” for the purpose of Condition 5(j) of these Notes shall include the following: [(a)] <i>[repeat the details of the Business Centre(s) as per above if applicable]</i> [; and] [(b)] [New York City]/[Hong Kong]/[Singapore]/[London]/[TARGET Business Day (being any day on which T2 is open for the settlement of payments in euro)]/Business Day in Beijing/Business Day in Hong Kong/Business Day in London.]
(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/Screen Rate Determination (SOFR)/ISDA Determination/other (<i>give details</i>)]
(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s):	[Deutsche Bank AG, Hong Kong Branch/(if other <i>give details</i>)]

(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} Date: [Not Applicable]/[[●] U.S. Government Securities Business Days – *used for SOFR Compounded Index only*]
- SOFR Index_{End} Date: [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 – <i>used for SOFR Lag only</i>]/[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 – <i>used for only Simple SOFR Average (if applicable), Compounded SOFR Average – SOFR Payment Delay or SOFR Lockout only</i>]/[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 (<i>give details</i>)]
(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.]

[As construed with the [Global Note/Global Certificate], "business day" for these Notes shall include the following:

[(a) 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);]

Note that, for the purposes of any payments made in respect of the Global Note, this (a) shall not apply.

(b) *[repeat the details of the Financial Centre(s) as per above if applicable]* [; and]

[(c)] [New York City]/[Hong Kong]/[Singapore]/[London]/[TARGET Business Day (being any day on which T2 is open for the settlement of payments in euro)].]

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, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
- 32 . . . Consolidation provisions: [Not Applicable/The provisions [in Condition 13 (*Further Issues*)]/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/ <i>give details</i>]
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/ <i>give name(s) and number(s)</i>]
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/ <i>give details</i>]
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 CMI(s) 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

*[As indicated in the Offering Circular]/
[Describe if different from the programme Offering Circular]]*

[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 2025. 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 2025
	(RMB million)
Marketable Debt⁽¹⁾	
Debt securities issued	1,049,973
Total Marketable Debt⁽²⁾	1,049,973
Equity	
Share capital	43,782
Other equity instruments	125,000
Capital reserve	58,087
Surplus reserve	61,888
General reserve	99,429
Investment revaluation reserve	5,146
Exchange reserve	539
Cash flow hedging reserve	20
Retained earnings	294,653
Total equity attributable to equity holders of the Bank	688,544
Non-controlling interests	13,768
Total Equity	702,312
Total Capitalisation⁽³⁾	1,752,285

(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 2025.

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 13 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.

The Hong Kong Branch has three key business segments, including corporate banking, financial markets, and private banking and wealth management. 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 financial institution services, treasury, debt capital markets and custody. Under the private banking and wealth management segment, it provides overseas wealth platform, a full range of investment services, and wealth management and private banking services.

Under the coordination mechanism of “One Minsheng”, the Hong Kong Branch fully leveraged its role as a platform for business outside the Chinese mainland, continuously enhanced cross-border synergy and coordination, carried out in-depth management of the strategic customer group of the Head Office and the branches, resolutely developed distinctive businesses, focused on building differentiated competitive advantages, and enhanced capabilities in providing comprehensive cross-border financial services in an all-around manner. As at 30 June 2025, total assets of the Hong Kong Branch amounted to HKD236,933 million, representing an increase of 11.83 per cent. as compared with the end of the previous year. Among them, total loans and advances to customers⁴ amounted to HKD128,482 million, and accounted for 54.23 per cent. of the total assets, representing an increase of 10.18 per cent. compared with the end of the previous year. Total deposits from customers⁵ amounted to HKD182,605 million, representing an increase of 14.81 per cent. as compared with the end of the previous year. During the six months ended 30 June 2025, the net income amounted to HKD1,648 million, representing an increase of 22.62 per cent. as compared with the corresponding period in 2024.

The Hong Kong Branch focused on high-quality customer groups and promoted scale growth. As at 30 June 2025, total credit assets of corporate strategic clients amounted to HKD70,530 million, representing an increase of 11.66 per cent. as compared with the end of the previous year. Focusing on strategic clients, the Hong Kong Branch strengthened cross-border coordination, and newly opened 121 accounts through cross-border coordination, representing an increase of 92.06 per cent. as compared with the corresponding period of the previous year. The AUM of the private banking and wealth management customer groups amounted to HKD42,018 million, representing an increase of 23.48% as compared with the end of the previous year. The Hong Kong Branch has developed distinctive businesses and built core advantages. During the six months ended 30 June 2025, the agency transaction volume of foreign exchange and derivatives reached USD11,816 million, representing an increase of 74.25 per cent. as compared with the

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

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

corresponding period of the previous year. The Hong Kong Branch strove to build the private banking and wealth management platform, and maintained a leading position in overseas insurance and Cross-Border Wealth Management Connect (跨境理財通) business among comparable Chinese joint-stock banks in the Hong Kong SAR. As at 30 June 2025, the size of assets of businesses linked to green and sustainable development amounted to HKD21,758 million, representing an increase of 8.01 per cent. as compared with the end of the previous year. The Hong Kong Branch strengthened risk management and operated in a compliant and steady manner. The Hong Kong Branch comprehensively deepened the philosophy of compliant operation, continued to improve the overall risk management system, insisted on paying equal attention to business development and risk constraint, continuously optimised and adjusted credit asset portfolio, and strengthened the management of customer concentration and industry limit. In addition, it proactively responded to changes in the financial markets, adopted a forward-looking liquidity risk management strategy, and continued to optimise the type, maturity term and currency structure of liabilities to effectively reduce the concentration of liability sources. During the six months ended 30 June 2025, the Hong Kong Branch kept all liquidity indicators at a sound and steady level.

In recent years, the Hong Kong Branch received the following awards:

- “ESG Achievement Programme 2024 (ESG表彰計劃2024)” by the Hong Kong Economic Journal;
- Three green finance awards of the “Hong Kong Green and Sustainable Finance Awards for 2024 (香港綠色和可持續金融大獎 2024)” issued by Hong Kong Quality Assurance Agency, including “Outstanding Green and Sustainable Bond Service Institution (Local Government) – Excellence in Visionary Green, Social Responsibility, and Sustainable Development Bond Framework”, “Outstanding Green and Sustainable Loan Service Institution (Central State-Owned Real Estate Development Sector) – Excellence in Visionary Sustainability-Linked Loan Performance Indicators” and “Outstanding Green and Sustainable Bond Issuer (Commercial Banking Sector) – Excellence in Visionary Green Bond Framework”;
- 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) issued by the Asian Private Banker in 2024;
- “ESG Achievement Programme 2023 (ESG表彰計劃2023)” by the Hong Kong Economic Journal;
- “Visionary Green Bond Framework (卓越遠見綠色債券框架)” by the Hong Kong Quality Assurance Agency in 2023;
- “Visionary Sustainability-linked Loan Performance Metrics (卓越遠見可持續發展貸款績效指標)” by the Hong Kong Quality Assurance Agency in 2023;
- “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 in 2023;
- “Excellent Customer Services Bank” (“卓越客戶服務銀行”大獎) of 2023 by the Hong Kong Economic Journal;
- “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 for 2023;
- “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, financial markets and private banking and wealth management business.

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 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 2025, 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 2025, the Bank remained one of the national systematically important banks in China.

As at 30 June 2025, the Group's total assets, total loans and advances to customers, and total deposits from customers (excluding accrued interest) amounted to RMB7,768.9 billion, RMB4,469.9 billion and RMB4,311.0 billion, respectively. For the six months ended 30 June 2025, the Group had a net profit of RMB21.5 billion. The Group delivered steady returns for the six months ended 30 June 2025, achieving annualised return on average assets and annualised return on weighted average equity of 0.55 per cent. and 7.14 per cent., respectively. As at 30 June 2025, the Group's NPL ratio was 1.48 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 major honours and awards received in the past two years include:

- 22nd in the “Top 1000 World Banks” released by The Banker in 2024;
- No. 351 in the “Fortune Global 500” published by Fortune in 2024;
- Second prize in the “2023 Fintech Development Award (2023年度金融科技發展獎)” by the PBOC in 2024;
- “AAA in 2024 MSCI ESG Ratings (2024年MSCI ESG評級AAA級)” in 2024;
- “2024 Best Practice Cases for Sustainable Development of Listed Companies (2024年上市公司可持續發展最佳實踐案例)” by China Association for Public Companies in 2024;
- “China’s 100 ESG Pioneers of Listed Companies (“中國ESG上市公司先鋒100”榜單)” by Finance.cctv.com in 2024;
- “Certificate of Excellence for Investor Relations (投資者關係卓越證書)” by Hong Kong Investor Relations Association in 2024;
- “Excellent Participant of ChinaBond Green Bond Index (中債綠債指數優秀參與機構)” by China Central Depository & Clearing Co., Ltd. in 2024;
- “2024 Innovative and Excellent Institution of ESG Financial Service (2024年度ESG金融服務創新卓越機構)” by the Chinese Banker magazine in 2024;
- “2024 Excellent Institution of Digital Supply Chain Financial Service Platform (2024年度數字供應鏈金融服務平台優秀機構)” by China National Clearing Center in 2024;
- “Annual Award for Excellent Mobile Banking (手機銀行年度卓越獎)” and “Award for Best Digital Ecosystem Development (最佳數字生態建設獎)” by China Financial Certification Authority (CFCA) in 2024;

- “2024 Caijing Award for ‘Excellent Supply Chain Finance Bank of the Year’ (2024年長青獎“年度卓越供應鏈金融銀行”)” by Caijing in 2024;
- “Golden Award for Commercial Banks (商業銀行組金獎)” in the 2023 “International ARC Awards (2023年“國際年報大賽”)” by the League of American Communications Professionals LLC (LACP) in 2024;
- “Golden Bull Award for Bank Supporting Sci-Tech Innovation (金牛銀行支持科創獎)” by the China Securities Journal;
- “2025 Digital Inclusive Finance Innovation Achievements (2025年度數字普惠金融創新成果)” at the China Digital Inclusive Finance Conference.

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 is headquartered in Beijing and has established an extensive business network, which included 43 tier-one branches and 105 tier-two branches (including remote sub-branches), 2,416 business outlets of sub-branches, including 1,254 general sub-branches (including business departments), 1,020 community subbranches and 142 small business sub-branches as at 30 June 2025. 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 2024, the Group’s total operating income was RMB133.1 billion, as compared with RMB137.4 billion for the year ended 31 December 2023, representing a decrease of 3.11 per cent. For the year ended 31 December 2024, operating income from the Group’s corporate business, retail business and other business amounted to RMB68.3 billion, RMB54.9 billion and RMB10.0 billion, respectively, representing 51.3 per cent., 41.2 per cent. and 7.5 per cent., respectively, of the Group’s total operating income for the same year.

For the six months ended 30 June 2025, the Group’s total operating income was RMB70.7 billion, as compared with RMB65.6 billion for the six months ended 30 June 2024, representing an increase of 7.79 per cent.. For the six months ended 30 June 2025, operating income from the Group’s corporate business, retail business and other business amounted to RMB35.3 billion, RMB28.6 billion and RMB6.8 billion, respectively, representing 49.99 per cent., 40.40 per cent. and 9.61 per cent., respectively, of the Group’s total operating income for the same period.

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 2025, the Group’s total assets, total loans and advances to customers, and total deposits from customers (excluding accrued interest) amounted to RMB7,768.9 billion, RMB4,469.9 billion and RMB4,311.0 billion, respectively.

Core player in the PRC banking system

- As at 30 June 2025, 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 2025, the sales network of the Bank covered 139 cities in the Chinese mainland, including 146 branch-level institutions (including 41 tier-one branches (excluding the Hong Kong Branch and the London Branch), 105 tier-two branches (including the remote sub-branches)), 2,416 business outlets of sub-branches, including 1,254 general sub-branches (including business departments), 1,020 community sub-branches and 142 small business sub-branches. The Bank's business scale and unique positioning gives the Bank a significant strategic importance in the banking system. The Bank has been recognised as a systemically important bank in China by the PBOC and NAFR since 2021.

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. Based on the three platforms of "Minsheng Small Business App (民生小微 App)", "Ecosystem-based Service Platform for MSMEs (中小微企業生態服務平台)" and "Benefits Mall for MSMEs (中小微企業權益商城)", the Bank established a "three-in-one" internet platform service

system, improved the integrated online service capabilities, and met customers' diversified service demands. 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 2025, the balance of inclusive small business loans of the Bank amounted to RMB666,751 million, representing an increase of RMB4,033 million, or 0.61 per cent., as compared with that as at 31 December 2024.

Broad customer coverage

- The Bank serves the full spectrum of the client, covering from retail customers, micro, small, medium enterprises to large enterprises, 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 2025, the balance of deposits of strategic clients amounted to RMB1,494,972 million, representing an increase of RMB47,967 million, or 3.11 per cent., as compared with the end of 2024, and the balance of loans to strategic clients amounted to RMB1,201,736 million, representing an increase of RMB3,069 million, or 0.26 per cent., as compared with the end of 2024.
- As to the retail customers, as at 30 June 2025, the number of retail customers of the Bank was 139,520.8 thousand, representing an increase of 3.89 per cent. as compared with the end of 2024, and the number of eligible private banking customers was 70,074, representing an increase of 7,971, or 12.84 per cent., as compared with the end of 2024. As at 30 June 2025, the number of VIP customers was 4,687.4 thousand, representing an increase of 230.2 thousand, or 5.16 per cent., as compared with the end of 2024.

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 2022, 2023 and 2024, and as at 30 June 2025, the Group's NPL ratio⁶ was 1.68 per cent., 1.48 per cent. and 1.47 per cent., and 1.48 per cent., respectively, with a loan coverage ratio⁷ of 2.39 per cent., 2.22 per cent. and 2.09 per cent., and 2.14 per cent., respectively. As at 30 June 2025, the Group's NPL ratio was lower than the industry average of 1.49 per cent. disclosed by NAFR.

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 30 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. WANG Xiaoyong, prior to being appointed as the President of the Bank, served as the vice president of the Chongqing branch, the general manager of the channel and operation management department and the president of the Sichuan branch of China Construction Bank, with over 30 years of financial industry experience.

6 The closing balance of the total NPLs divided by the closing balance of the total loans and advances to customers.

7 The closing balance of total allowance for impairment losses on loans divided by the closing balance of total loans and advances to customers.

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.

Model of practising ESG philosophy.

The Bank has been the model of practising ESG philosophy with its Corporate Social Responsibility Report published for 12 consecutive years and the Environmental, Social and Governance Report published for 9 consecutive years, and for the first half of 2025, the Bank attained multiple honorary achievements in the ESG-related works, including: inclusion in the “Best Practice Cases for Sustainable Development of Listed Companies (上市公司可持續發展最佳實踐案例)” by the China Association for Public Companies for many consecutive years, and recognition as the “2024 Excellent ESG Case of Chinese Enterprises (2024中國企業ESG優秀案例)” by the China Enterprise Reform and Development Society in collaboration with China Comment magazine. The MSCI ESG rating of the Bank was the highest global level of AAA.

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 firmly implemented the strategic deployment of green finance, continuously improved its multi-level green finance operation and management system, strengthened the building of professional service capabilities related to green finance, and increased its support for green and low-carbon development and the real economy. The Bank continued to focus on key areas such as green and low-carbon development, circular economy, and biodiversity protection, and promoted comprehensive service penetration across the entire industry chain in response to the green development needs of key customers. During the six months ended 30 June 2025, the Bank issued RMB10 billion green financial bonds, with the proceeds allocated to green industry projects including green infrastructure upgrades, energy conservation and environmental protection, and clean production. The Bank strengthened strategic promotion and marketing in key regions and for regionally distinctive customer groups, and promoted the steady development of green finance in key regions such as Beijing-Tianjin-Hebei, the Guangdong-Hong Kong-Macau Greater Bay Area, the Yangtze River Delta, the Chengdu-Chongqing economic circle and Fujian. The Bank continued to enrich and iterate the product and service system of “Minsheng Carbon Peak and Carbon Neutrality (民生峰和)”, and constantly enhanced innovation in segmented scenario products and comprehensive service models. The Bank strengthened the innovation in transformation finance and carbon finance, promoted the launch of innovative businesses such as loans linked to carbon footprints of industrial transformation and syndicated loans linked to biodiversity conservation indicators, and enhanced the promotion and application of innovative products such as “Emission Reduction Loan (減

排貸)” and “Minsheng E-Carbon Loan (民生碳e貸)” to enable enterprises to improve sustainability performance and encourage public participation in carbon inclusive innovation mechanisms. The Bank actively served the national carbon market and provided professional guarantee to ensure smooth trading and compliance of member enterprises. It proactively integrated into the overall green development framework, and comprehensively participated in investments of thematic bonds and asset-backed securitisation products related to green finance, “carbon neutrality”, and rural revitalisation, thereby facilitating the green transformation and upgrading of the economy and the society. As at 30 June 2025, the balance of green credit of the Bank amounted to RMB326,485 million, representing an increase of RMB28,681 million, or 9.63 per cent. as compared with the end of 2024, with the growth rate higher than the average of all loans.

In the first half of 2025, the Bank attained multiple honorary achievements in the ESG-related works, including: inclusion in the “Best Practice Cases for Sustainable Development of Listed Companies (上市公司可持續發展最佳實踐案例)” by the China Association for Public Companies for many consecutive years, and recognition as the “2024 Excellent ESG Case of Chinese Enterprises (2024中國企業ESG優秀案例)” by the China Enterprise Reform and Development Society in collaboration with China Comment magazine. The MSCI ESG rating of the Bank was the highest global level of AAA.

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.

The Bank is embracing the coming 30th birthday on the journey to become a time-honoured bank. The year 2025 is the year of concluding the 14th Five-Year Plan, and also a crucial year for further deepening reform comprehensively. The Bank will insist on the leadership of Party building and uphold integrity while making innovation. By closely focusing on the work mainstay of “strengthening customer group management, optimising structure, controlling risks, and driving revenue growth”, the Bank will stay resolute and proactive, continuously enhance the capability in sustainable development, and strive to empower high quality economic and social development.

The Bank will focus on high-quality development and continuously reinforce the quality and effectiveness of serving the real economy. The Bank will adhere to and reinforce the comprehensive Party leadership over financial work and continuously open up new chapters of high-quality development led by high-quality Party building. The Bank will stick to the fundamental purpose of serving the real economy, continuously optimise business structure, invest more resources into key fields and weak links of economic and social development, and take solid moves in supporting the “five major sectors”. The Bank will focus on the fields such as technology, green development, “implementation of major national strategies and the establishment of security capacity in key areas”, digital economy and urban renewal, deepen the services related to supply chain, SMEs and MSEs, refine the service model for the basic retail customer group and the long-tail customer group, and strengthen the development of wealth management and private banking customer groups. The Bank will effectively implement the policy of “large-scale renewal of equipment and the trade-in of consumer goods”, develop diversified consumer finance

scenarios and continuously expand the market share of consumer loans. Additionally, the Bank will strengthen ecosystem-based operation and enrich the interbank ecosystem.

The Bank will deepen reforms in key areas to foster new growth drivers and new advantages. The Bank will deepen the strategic client service system, advance the integrated management of MSMEs and large enterprises, and increase efforts in promoting the “Minsheng E-Chain (民生e鏈)” and the supply chain based businesses. The Bank will uphold the strategy of serving SMEs, accelerate the promotion of SME Credit Plan (中小信貸計劃), drive the transformation towards comprehensive management of small business, and create competitive products for legal persons and loans to individuals of small business in alignment with the operation characteristics and segmented scenario features of MSME customers. The Bank will also optimise and iterate the product of “Minsheng Benefits (民生惠)”, and enhance the product portfolio of Apex benefits, acceptance, settlement and the E-Minsheng Family. The Bank will deepen the transformation towards the new credit card business model, and strengthen customer services and scenario development.

The Bank will comprehensively advance digital transformation to enhance the quality and effectiveness of operation and management. Digital transformation is a foundational task of utmost importance. The Bank will enhance the application of AI technology and the development of large models, strengthen AI-driven empowerment, and further improve the full-journey service experience and efficiency for customers. The Bank will leverage the agile mechanism of eco-finance, optimise and enhance the quality and effectiveness of “light” operation model for eco-finance, and support more strategic and fundamental projects. The Bank will accelerate the development of a knowledge management system, and boost work efficiency and elevate customer experience by expertise extraction and knowledge empowerment. Leveraging the strong capabilities of large models in knowledge generation and application, the Bank will establish an enterprise-level knowledge management system to enable the enhancement of quality and effectiveness of various operation and management activities.

The Bank will consolidate the bottom line of risk compliance to promote the steady and long-term development of the whole bank. The Bank will remain deeply committed to the philosophy of “compliant operation is the core competitiveness”, insist on taking internal control and compliance management as the core of value creation, continuously refine the compliance management system, enhance compliance management level, and advance the building of the culture of compliance in a solid manner. The Bank will improve the internal risk control system, lay equal emphasis on business development and risk control, optimise business processes, standardise code of conduct, and reinforce prevention and control, monitoring and early warning of risks from the source, and enhance forward-looking, proactive and effective risk management.

The Bank will innovate social responsibility practices and spread warmth and strength with concrete efforts. With a sense of gratitude, the bank will give back to the society, closely align our high-quality development with social progress, and continuously and innovatively carry out social responsibility practices in various fields, including paired assistance, congenital heart disease treatment, AIDS prevention and treatment, youth health, educational funding, environmental protection, emergency response and disaster relief, and cultural warfare. The Bank will continue to advance ESG management, optimise the series products for green finance, improve the public welfare platform, and better support the balanced social development and the creation of a better community.

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: The Bank sticks to the customer positioning and strategic choice it has followed over the years, and keeps its distinctive features unchanged. The Bank 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 build a golden brand of China Minsheng Bank in the field of financial services to MSMEs, so as to truly implement the mission of “serving the public, caring about people’s livelihood”.
- An agile and open bank: Following the development trend of digital economy, the Bank promotes continuous innovation and seeks for breakthroughs in technology-driven eco-bank to optimise comprehensive services such as scenario integration and ecosystem co-construction. The Bank 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. The Bank strives to push the data-driven intelligent bank to a new level and elevate the digital and intelligent level of operation and management in all aspects, in a bid to provide agile and efficient comprehensive services with ultimate customer experience.
- A bank with considerate services: The Bank stays customer-centric and puts special emphasis on its origins of service and business, and compliance and steadiness. Based on the deep understanding of customer needs, the Bank strives to build up trust through professional services, enhance customer experience through optimised procedures, strengthen customer stickiness through value creation, and maintain 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.

Looking back, the Bank has resolutely followed its strategies and the Bank published the report on its implementation of these strategies in 2025. The implementation of strategies in the past few years can be summarized as five “unchanged” and “changed” aspects, namely what has unchanged is the Bank’s commitment to stand side by side with NSOEs and what has changed is its stronger capabilities to navigate through cycles together with customers.

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 30 June 2024 and 2025 and as at 31 December 2024 and 30 June 2025:

	Total assets (excluding deferred income tax assets) as at 30 June 2025	Operating income for the six months ended 30 June 2025	Profit before income tax for the six months ended 30 June 2025
		RMB million	
Corporate banking	5,090,354	35,340	14,560
Retail banking	1,784,720	28,565	6,485
Other ¹	835,697	6,796	1,749
Total	7,710,771	70,701	22,794

	Total assets (excluding deferred income tax assets) as at 31 December 2024	Operating income for the six months ended 30 June 2024	Profit before income tax for the six months ended 30 June 2024
	RMB million		
Corporate banking	5,144,314	31,833	16,973
Retail banking	1,745,584	29,973	7,728
Other ¹	866,922	3,783	(1,225)
Total	7,756,820	65,589	23,476

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 months ended 30 June 2025, the Bank took corporate finance as an important approach for promoting the high-quality development of the real economy. The Bank continuously optimised the layered and classified customer management system, deepened credit support for key sectors, strengthened the application of product portfolios with competitive edges, and steadily advanced supply chain finance, payroll agency and other strategic businesses. The Bank also comprehensively consolidated the first line of defense, enhanced digital empowerment and system support capabilities in a steady manner, and promoted the sustainable development of corporate business.

As at 30 June 2025, the balance of corporate deposits of the Bank amounted to RMB2,919,108 million, representing a decrease of RMB14,118 million, or 0.48 per cent., as compared with the end of the previous year. Corporate banking accounted for 48.82 per cent., 52.90 per cent., 51.27 per cent., 49.99 per cent. and 49.99 per cent. of the Group's total operating income for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, respectively. The Group's corporate loans and advances accounted for 57.94 per cent., 59.69 per cent., 60.22 per cent. and 61.01 per cent. of its total loans and advances to customers of the Group, as at 31 December 2022, 2023 and 2024, and as at 30 June 2025, respectively, and the Group's corporate deposits accounted for 74.28 per cent., 71.65 per cent., 69.35 per cent. and 68.00 per cent. of its total deposits from customers of the Group as at 31 December 2022, 2023 and 2024 and 30 June 2025, 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 2025, total corporate deposits of the Bank amounted to RMB2,919,108 million, representing a decrease of RMB14,118 million, or 0.48 per cent., as compared with that as at 31 December 2024.

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 RMB2,399.3 billion, RMB2,617.4 billion, RMB2,679.9 billion and RMB2,727.2 billion as at 31 December 2022, 2023 and 2024, and as at 30 June 2025, respectively. The Group's corporate loans consist primarily of RMB-denominated loans, with a small portion of foreign currency-denominated loans.

As at 30 June 2025, the corporate loans of the Group were mainly concentrated in the industries of leasing and commercial services, manufacturing, and real estate. Of which, total loans to the leasing and commercial services industry amounted to RMB588,427 million, representing an increase of RMB41,357 million as compared with the end of the previous year. Total loans to the manufacturing industry amounted to RMB485,863 million, representing a decrease of RMB22,601 million as compared with the end of the previous year, mainly due to the decrease in the scale of discounted bills. Total loans to the real estate industry amounted to RMB332,648 million, representing a decrease of RMB791 million as compared with the end of the previous year.

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.

The Bank strengthened the application of key products in investment banking business to enhance the customer service experience. The Bank proactively responded to the national policies, and consistently enhanced resource allocation in key fields supported by the PRC, such as large infrastructure, the manufacturing industry, new energy and new materials, thereby facilitating the development of the real economy. The Bank also accelerated the implementation of policies regarding stock repurchase, shareholding increase and re-lending stipulated by the PBOC, the NAFR and the CSRC, and produced and successfully disbursed relevant special loans. As at 31 December 2024, the balance of M&A loans of the Bank amounted to RMB157,210 million. The balance of domestic syndicated loans (excluding M&A syndicated loans) amounted to RMB241,048 million. As at 30 June 2025, the Bank issued RMB129,119 million bonds, serving 298 customers. Of which, total number of debt financing instruments underwritten for non-financial enterprises was 449 with an amount of RMB125,907 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.

The Bank continued to improve its transaction banking product system, and provided convenient products to support the high-quality development of the real economy. For the year ended 31 December 2024, focusing on addressing pain points in the daily operations of enterprises, the Bank continuously improved the transaction banking product system and provided convenient and integrated financial services to assist in the high-quality development of the real economy.

Supply Chain Finance

The Bank continued to focus on supply chain finance and continuously enhanced effective support for the real economy for the six months ended 30 June 2025. The Bank continued to innovate its supply chain products, and developed the product series of “Minsheng E-Chain” that covered “supply, production, and sales” and encompassed multiple scenarios such as credit enhancement by core enterprises, financing without credit reliance on core enterprises and supply chain-based MSE financing, in a bid to provide convenient supply chain financial services for enterprises. As at 30 June 2025, over 1,000 sub-branches of the Bank had conducted supply chain financing business, serving a total of 3,052 core enterprises and 37,440 customers in the chains. The balance of financing for supply chain business reached RMB374,319 million, representing an increase of 20.58 per cent. as compared to as at 31 December 2024.

Digital solutions and enhancements

In recent months, the Bank developed the flagship product of “Minsheng Treasury Cloud (民生財資雲)”, which offered one-stop digital solutions for corporate financial management, serving over 15,000 customers and their member units at various levels. The Bank also accelerated the digital and intelligent development of trade finance products to meet the comprehensive service needs of enterprises.

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.

Relying on the brand of “All Across the World (民生跨境一家)”, the Bank supported high-level opening-up with facilitated services. The Bank continued to enhance its digital and facilitated financial service system of “All Across the World”, transformed its first-mover advantage in foreign exchange facilitation business into a customer service advantage, and helped foreign trade enterprises expand markets and secure orders. The Bank provided high-quality support for “going out” and “bringing in” efforts, serving over 40,000 international business customers. For the six months ended 30 June 2025, the business volume of international settlements of the Bank amounted to USD200,701 million, representing an increase of 14.18 per cent. as compared with the year ended 31 December 2024.

Additionally, centring on the high-frequency payment and settlement needs of enterprises, the Bank innovated products to deliver ultimate service experience to enterprises. For the year ended 31 December 2024, the Bank promoted the standardised operation of account opening and the integrated contract signing for “E-Account Opening (開戶 e) + basic products”, and launched the premium service of account customisation.

Guarantee Services, Factoring Services and Bills Business

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 2022, 2023 and 2024, and as at 30 June 2025, the Group’s balance of guarantees totalled RMB134,395 million, RMB130,996 million, RMB135,217 million and RMB135,316 million, respectively.

In 2024, the Bank iterated the function of e-letter of guarantee (e-LG) to support the guarantee needs of MSMEs, and handled 17,055 e-LGs, representing an increase of 17.56 per cent. as compared with the corresponding period of the previous year. The Bank also expanded factoring service scenarios and revitalised account receivables of enterprises. The business volume of factoring exceeded RMB200 billion, reaching a record high. The Bank also strengthened support of bills business for key areas such as advanced manufacturing and green development. The business volume of bank acceptance bills exceeded RMB1 trillion.

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.

Payroll agency services

Taking payroll agency service as a strategic business, the Bank strove to expand the coverage of corporate customers, continuously perfected and upgraded payroll agency service capabilities, and consistently optimised the products such as “Payroll Agency (代發薪)” and “E-Minsheng Family”. During the six months ended 3 June 2025, total payroll agency business amounted to RMB187,367 million, representing an increase of RMB20,479 million, or 12.27 per cent., as compared with the corresponding period of the previous year.

NSOE strategy

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

The Bank sticks to the customer positioning and strategic choice it has followed over the years, and keeps its distinctive features unchanged. The Bank 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 build a golden brand of China Minsheng Bank in the field of financial services to MSMEs, so as to truly implement the mission of “serving the public, caring about people’s livelihood”.

The Group adhered to the positioning of “a bank for NSOEs”, practised the integrated management of MSMEs, large enterprises and individual customers, remained committed to providing efficient and all-round financial and non-financial solutions to MSMEs, and developed differentiated competitive advantages. The Group remained strategy-oriented, promoted the effective execution of various reform initiatives, pushed forward the marketing of basic customers, increased the placement of high-quality assets and improved the liability quality. The business structure continued to be optimised, the scales of MSME business and consumer credit business and low-cost demand deposits grew steadily, the business resilience continued to be strengthened, and new breakthroughs were made in the cultivation of core competitiveness.

The Bank served NSOEs and MSEs by implementing inclusive finance. The Bank fully supported the development of the real economy, gave full play to its advantages in serving NSOEs and MSEs, and provided financial support for the development of the real economy. The Bank enriched the inclusive credit product system, and developed the “Agricultural Loan Express (農貸通)”, an online product related to agriculture, rural areas and farmers. The Bank focused on the in-depth management of inclusive finance customer groups, and continued to enhance inclusive financial service capabilities. Based on the three platforms of “Minsheng Small Business App (民生小微 App)”, “Ecosystem-based Service Platform for MSMEs (中小微企業生態服務平台)” and “Benefits Mall for MSMEs (中小微企業權益商城)”, the Bank established a “three-in-one” internet platform service system, improved the integrated online service capabilities, and met customers’ diversified service demands. New breakthroughs were made in new small business models in terms of legal person business, unsecured business and online business. As at 30 June 2025, the balance of small business loans of the Bank amounted to RMB666,751 million, representing an increase of RMB4,033, as compared with that as at 31 December 2024. The number of customers of inclusive small business loans of the Bank was 482.9 thousand. During the six months ended 30 June 2025, total inclusive small business loans disbursed by the Bank amounted to RMB361,727 million with an average interest rate of 3.70 per cent. As at 30 June 2025, the NPL ratio of inclusive small business loans was 1.52%. 2,416 business outlets of the Bank provided comprehensive financial services to MSE customers.

Retail Banking

Overview

The Bank offers a wide range of products and services to retail customers, including personal deposit and loan services, credit card and debit card services, wealth management, private banking and various retail intermediary businesses. For the year ended 31 December 2024 and the six months ended 30 June 2025, the Bank continued to focus on the retail business as a long-term and fundamental strategic business, deepened cross-segment integrated management, pushed forward the integrated development of high-quality customer groups and continuously enhanced the refined management capability of retail business. The Bank built a segmented customer group management system, upgraded the product and service system, strengthened digital management and delivered ultimate customer experience, in a bid to consistently enhance the competitive advantages of retail business in the market. Further, for the six months ended 30 June 2025, 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 2024, operating income from retail banking of the Group was RMB54,892 million, representing a decrease of 5.33 per cent. as compared with that for the year ended 31 December 2023, and accounted for 41.23 per cent. of the total operating income of the Group. For the six months ended 30 June 2025, operating income from retail banking of the Group was RMB28,565 million, representing an increased 4.71 per cent. as compared with that for the six months ended 30 June 2024, and accounted for 40.4 per cent. of the total operating income of the Group.

Retail Banking Products and Services

The Bank actively enhanced the market competitiveness of retail products and services, and consistently provided warm and high-quality financial services to customers. The Bank continuously upgraded the shelves of steady wealth management products and built a differentiated and high-quality customer benefits system. By strengthening external cooperation and full-process digitalisation, the Bank deepened coordinated marketing and ecosystem development. The Bank actively innovated high-quality product and service systems that better matched customer needs, comprehensively enhancing customer service capabilities. As at 31 December 2022, 2023 and 2024, and as at 30 June 2025, the balance of the Group's personal loans and advances was RMB1,741.9 billion, RMB1,767.5 billion, RMB1,770.6 billion and RMB1,742.6 billion, respectively.

Financial assets

As at 30 June 2025, total retail AUM of the Bank amounted to RMB3,153,976 million, representing an increase of RMB207,729 million, or 7.05 per cent. as compared with that as at 31 December 2024. Of which, the financial assets of customers holding gold and higher-level cards amounted to RMB2,704,138 million, representing an increase of RMB185,219 million, or 7.35 per cent., as compared with that as at 31 December 2023, and accounted for 85.74 per cent. of total retail AUM of the Bank.

As at 30 June 2025, total assets of private banking customers amounted to RMB968,044 million, representing an increase of RMB102,075 million, or 11.79 per cent., as compared with that as at 31 December 2024. As at 30 June 2025, the Bank's retail savings deposits amounted to RMB1,354,415 million, representing an increase of RMB78,475 million, or 6.15 per cent. of total retail AUM of the Bank as at 30 June 2025.

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 2025, 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 2025, retail loans (including credit card overdraft business) of the Bank amounted to RMB1,723,278 million, representing a decrease of RMB27,483 million, or 1.57 per cent., as compared with that as at 31 December 2024. As at 30 June 2025, the number of retail customers was 139,520.8 thousand, representing an increase of 3.89 per cent., as compared with that as at 31 December 2024. The number of private banking customers was 70,074, representing an increase of 7,971, or 12.84 per cent., as compared with the end of the previous year. The number of VIP customers was 4,687.4 thousand, representing an increase of 230.2 thousand, or 5.16 per cent. as compared with the end of the previous year.

Wealth management

As at 30 June 2025, the number of strategic clients at the head office and the branch levels reached 3,052, representing an increase of 558 as compared with that as at 31 December 2024. The number of retail customers reached 139,520.8 thousand, representing an increase of 3.89 per cent. as compared with that as at 31 December 2024. Of which, the number of private banking customers reached 70,074, representing an increase of 7,971, or 12.84 as compared with that as at 31 December 2024. With the service model of private banking centres as the foundation, the Bank provided personalised services for the private banking customer group.

The Bank also focused on the professional management of the wealth management customer group, and leveraged digital means to empower customer group management. The Bank continuously strengthened empowerment through digital and standardised operation, adopted refined strategy deployment and research, optimised the online wealth management journeys of customers, developed a smart wealth management assistant for the frontline employees, and developed professional wealth management tools such as a customer income centre, asset allocation and wealth radar, thereby improving the investment service experience of customers.

The Bank continued to focus on customer investment needs and deepened the steady wealth management system. Firstly, in terms of wealth management business, the Bank concentrated on key product series such as the “Assured Wealth Management (安心理財)” and the “Sound Selection (穩健優選)” to meet customers’ investment needs for steadiness. The scale of wealth management business increased by RMB54,555 million, or 5.87 per cent., as compared with the end of the previous year. Secondly, in terms of fund business, the Bank took the “Fixed Income + (固收+)” strategy as the core, and focused on the “Minsheng Bedrock (民生磐石)” series to meet customers’ diversified portfolio allocation needs. Thirdly, in terms of insurance business, the Bank continued to enrich and improve the shelf for distinctive ageing finance products, and accelerated the development of commercial pension business to serve customers’ elderly care needs. Fourthly, in terms of private equity business, the Bank maintained a focus on leading institutions, and selected outstanding products to meet customers’ personalised investment needs. During the six months ended 30 June 2025, the sales of private equity products tripled as compared with the corresponding period of the previous year. Fifthly, in terms of family trust business, the Bank continued to upgrade its business system to address customers’ family wealth planning needs, with the scale of business maintaining rapid growth. During the six months ended 30 June 2025, newly increased scale of trust business amounted to RMB7,943 million, representing an increase of 34.97 per cent. as compared with the corresponding period of the previous year.

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. The Bank strengthened cooperation with high-quality first-hand housing developers and leading second-hand housing intermediary agencies with a particular focus on the second-hand housing mortgage loan business, effectively driving mortgage loan placement. For the six months ended 30 June 2025, the Bank issued a total of RMB62,938 million mortgage loans, representing an increase of 53.55 per cent. as compared with the year end 31 December 2024. Of which, second-hand housing mortgage loans amounted to RMB33,031 million, representing an increase of 74.43 per cent..

The Bank also provides other retail loan products, including automobile loans and consumer loans. The Bank provides other loans to individuals and the Bank optimise the product functions and business processes of Minsheng Easy Loan (民易贷), a personal unsecured consumer loan product, which enhanced customer service experience. As at 30 June 2025, the balance of "Minsheng Easy Loan" reached RMB56,944 million, representing an increase of RMB1,058 million, or 1.89 per cent. as compared with that 31 December 2024.

The Bank's retail deposits include demand deposits, time deposits and notice deposits, denominated in both Renminbi and foreign currency. As at 30 June 2025, the Bank's retail savings deposits amounted to RMB1,354,415 million, representing an increase of RMB78,475 million, or 6.15 per cent., as compared with that as at 31 December 2024.

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.

The Bank enriched its differentiated product system. Focusing on key products related to scenarios such as retail, shopping mall and supermarket, cultural tourism and travel, the Bank continued to optimise the benefits of products for elderly care, citizen, culture and small business. The Bank has also built an integrated and smart customer service system. The Bank optimised key links in the workflow of "application, collection, and usage", and continuously enhanced the smart financial service experience.

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.

To further optimise credit card products and services, the Bank continued to deepen the development of payment ecosystems. The Bank focused on building the payment brand of “Preferential Minsheng Day (聚惠民生日)”, innovated payment discounts and promotions in 7 key daily life-related scenarios, created diversified payment-themed promotional events for different industry-related scenarios, and established preferential brands for both customers and merchants. For the six months ended 30 June 2025, the transaction amount of credit card electronic payments reached RMB311,787 million, representing a decrease of 7.08 per cent. as compared with the year end 31 December 2024. The number of transactions was 748 million, representing an increase of 10.57 per cent. as compared with the year ended 31 December 2024.

Treasury Business

The Bank continuously optimised the structure of treasury business and realised steady operation of assets and liabilities. Firstly, the Bank optimised the structure of interbank liabilities, increased the issuance of interbank negotiable certificate of deposits (IBNCD), and enhanced the stability of interbank liabilities. Secondly, the Bank strengthened liability cost management, refined policies for interbank demand products, expanded low-cost funding sources, implemented self-discipline requirements, and facilitated the decline in interbank liability cost. Thirdly, the Bank effectively seized market opportunities and steadily advanced the placements of financial institution assets.

Fixed-income business

The Bank continued to build integrated Minsheng fixed-income brand covering investment, trading, sales, and agency business. Firstly, the Bank proactively supported the development of the real economy by increasing allocations to government bonds, local government bonds, and policy financial bonds, and focused on participating in investments in unsecured bonds and asset-backed securitisation products in areas such as sci-tech finance, green finance, inclusive finance and digital finance, so as to enhance the quality and efficiency of serving the real economy. Secondly, the Bank improved the market-oriented, specialised and standardised management of fixed-income business. The Bank enhanced portfolio profitability by strengthening macro trend analysis, appropriately arranging asset maturity terms and continuously optimising the bond portfolio structure. As at 30 June 2025, total bond assets of the Bank amounted to RMB1.99 trillion, of which, the bond assets denominated in RMB amounted to RMB1.86 trillion and those in foreign currencies amounted to USD18,554 million.

Foreign exchange business

The Bank adhered to serving the real economy, consistently advocated the philosophy of exchange rate risk neutral and provided high-quality risk hedging services to customers. Firstly, the Bank actively responded to changes in market demand, optimised and upgraded the foreign exchange agency service model and improved customer service efficiency by introducing digital tools and technologies and reshaping business processes. Secondly, the Bank actively promoted foreign exchange market-making business to meet the demands of small- and medium-sized financial institutions for settlement and sales, trading and risk hedging of foreign exchanges with high-quality services.

Precious metals business

The Bank continued to build the brand of “Minsheng Gold (民生金)”, offering customers a diverse range of products and services, including physical gold, stocking, investment, financing and risk hedging. Firstly, the Bank applied digital approaches to promote product upgrading and channel innovation, bringing higher-quality service experience for retail customers. Secondly, starting from corporate customers’ demands, the Bank provided gold leasing, price risk hedging, and agency trading, agency sales of precious metals products to effectively support the development of the real economy. Thirdly, the Bank proactively fulfilled its responsibilities of a market-maker and prudently conducted proprietary trading within the risk limits. For the year ended 31 December 2024, the trading volume of gold of the Bank amounted to 2,405.66 tons with the trading amount reaching RMB1,349,498 million. The trading volume of silver amounted to 718.84 tons with the trading amount reaching RMB4,959 million.

Structured products

The Bank always upheld the philosophy of balancing innovation with service, and worked hard to optimise and expand product system. The Bank strove to enrich the offering of structured deposit products, conducted in-depth research on market trends and customer needs, refined the design of the underlying assets, option structures and maturity terms, and created a series of structured deposit products meeting the investment preferences of various customers. In the meantime, the Bank actively gave play to the guiding role of financial innovation, and continuously introduced distinctive green finance products. Cooperating with the Shanghai Clearing House, the Bank carefully developed the “Shanghai Clearing House China Minsheng Bank Green Bond Select Index” and successfully launched the first structured deposit product linked to the green bond index in the market, injecting fresh vitality into the green bond market.

Asset custody business

The Bank focused on its strategic goal of reshaping custody business, proactively seized market opportunities, vigorously expanded key customer groups and key products of the industry, effectively enhanced the quality and efficiency of services and the supporting capabilities of technologies, and tightened comprehensive risk compliance management and control, thereby achieving the high-quality development of asset custody business of the whole bank. As at 30 June 2025, total assets under the custody of the Bank amounted to RMB12.66 trillion, representing an increase of 3.26 per cent. as compared with that as at 31 December 2024.

Pension business

The Bank highlighted the strategic arrangement of pension services, implemented the plan of action for pension services, continued to boost its capability in annuity services, deepened the coordinated marketing mechanism for customer groups within the Bank, and improved the value-added service system of pension business. The Bank held the annuity promotion activity of “Minsheng Intelligent Elderly Care (愛民生慧養老)”, which enhanced the brand influence and promoted the sustainable and steady development of pension business. As at 30 June 2025, the size of corporate annuity account management business amounted to 278.2 thousand, representing an increase of 23.5 thousand, or 9.23 per cent. as compared with that as at 31 December 2024.

Overseas Business

Hong Kong Branch

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 explored business opportunities in distinctive business fields and achieved good development in businesses such as asset custody, foreign exchange trading, green finance and wealth management. See "*Description of the Hong Kong Branch*" for further information.

London Branch

The London Branch was authorised to carry out operation officially in August 2024. For the six months ended 30 June 2025, the London Branch continued to focus on the three key positionings of serving as an international platform for Chinese enterprises to go out, an overseas window to broaden global perspectives, and a platform to cultivate talents with international mindsets, with its overall operation being improved in stability. As at the six months ended 30 June 2025, total assets of the Branch amounted to USD327 million. During the six months ended 30 June 2025, the Branch recorded a net interest income of USD3,318.7 thousand, the fee income amounted to USD154.1 thousand, and the new loans amounted to USD155 million. On the one hand, the Branch closely followed the overseas expansion of Chinese enterprises, fully explored opportunities for synergy between domestic and international businesses, and proactively expanded loan businesses including M&A syndicated loans, privatisation and revolving syndicated loans, as well as general corporate financing syndicated loans. On the other hand, leveraging on the advantages of London in geographic location and expertise, the Branch strove to enhance capabilities in cross-border comprehensive services and cross-time zone trading, and actively strengthened the cross-border synergy of financial markets business.

Other Business

Minsheng 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 financing of vehicles, vessels, commercial aircraft, business jets and large equipment, and inclusive leasing of 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 six months ended 30 June 2025, Minsheng Financial Leasing proactively responded to changes in the internal and external business environments, remained steadfast in its strategic orientation and the business positioning of "returning to the origins of leasing", earnestly implemented the work deployments on supporting the "five major sectors" of finance, sped up reform and transformation, worked hard to stabilise scale and increase revenue, and strove to enhance risk control capabilities. As a result, key operation and management indicators maintained the trend of steady development. As at 30 June 2025,

total assets of Minsheng Financial Leasing amounted to RMB176,907 million, and its net assets amounted to RMB24,322 million. For the year ended 31 December 2024, the disbursement of leasing business amounted to RMB29,354 million. In new disbursements, the retail and inclusive finance businesses accounted for 66.11 per cent.

For the year ended 31 December 2024, Minsheng Financial Leasing won the China Maritime Finance Qianxing Award – “Special Contribution Award” (中國海事金融牽星獎——“特殊貢獻獎”) at the 5th China (Dongjiang) Shipping Industry Week & the 9th China Maritime Finance (Dongjiang) International Forum (第五屆中國(東疆)航運產業周暨第九屆中國海事金融(東疆)國際論壇).

Minsheng Royal Fund

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 2025, Minsheng Royal Fund had total assets of RMB2,486 million. Its net assets amounted to RMB1,959 million. The AUM of Minsheng Royal Fund amounted to RMB213,988 million, representing an increase of 15.31 per cent. as compared with that as at 31 December 2024.

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 2025, CMBC International had total assets and total liabilities of HKD23,570 million and HKD20,087 million, respectively. Its net assets amounted to HKD3,483 million, and total equity attributable to holders of equity shares of the Bank amounted to HKD2,846 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 31 December 2024, the Bank had 29 rural banks with 81 business outlets. Total assets of rural banks amounted to RMB42,328 million, representing an increase of RMB49 million as compared with the end of the previous year. The balance of all deposits amounted to RMB36,415 million, representing an increase of RMB234 million as compared with that as at 31 December 2023. The balance of all loans amounted to RMB25,689 million, representing a decrease of RMB529 million as compared with that as at 31 December 2023. As at 30 June 2025, the Bank had established 29 Minsheng rural banks with 80 business outlets, with total assets of RMB42,010 million; balances of deposits and total loans amounted to RMB36,231 million and RMB25,496 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 six months ended 30 June 2025, CMBC Wealth Management proactively implemented the decisions and deployments of the CPC Central Committee, served the strategy of the parent bank, and remained focused on its origin of “acting in trust and managing wealth on behalf of customers”, continuously contributing to the goal of common prosperity. CMBC Wealth Management acted in line with the fundamental purpose of serving the real economy, and supported the development of the real economy via investment in assets including bonds, project creditor’s rights and equity. CMBC Wealth Management deepened the development of capital market business to serve the financing demands of listed companies and their shareholders. It remained customer-centric, proactively practised inclusive finance and continuously enriched its product system. Based on full coverage of mainstream product types, CMBC Wealth Management launched the strategy-based products such as “Global Select (全球精選)”, “Gold Enhancement (黃金增強)”, and “Mu Biao Ying (目標盈)”, offering investors more diversified choices. It improved the convenience of product subscriptions and the efficiency of redemption funds transferred to accounts, and enhanced the holding experience of investors. CMBC Wealth Management proactively explored digital finance, and developed the digital investment and research platform, in a bid to facilitate more efficient and more intelligent investment and research decision-making. It developed a management system covering the full life cycle of products to empower product quality management. It upgraded the comprehensive risk management system and enhanced risk monitoring effectiveness. It accelerated the development of agency sales channels and expanded customer service coverage. For the six months ended 30 June 2025, additional 20 agency sales institutions were added. As at 30 June 2025, the agency sales volume of products of CMBC Wealth Management by financial institutions other than the parent bank increased by 46.37 per cent. as compared with the end of the previous year, and the number of wealth management customers increased by 20.78 per cent. as compared with the end of the previous year. As the entrusted manager, CMBC Wealth Management vigorously promoted the disposal of existing wealth management business of the Bank, and achieved the early clearance of existing non-net-value products.

For the six months ended 30 June 2025, CMBC Wealth Management has won many awards of the industry. It was awarded the “Golden Bull Excellence Award for Bank Wealth Management Company (銀行理財公司金牛優勝獎)” in the Fifth Wealth Management Golden Bull Awards Selection for the Banking Industry organised by China Securities Journal. The “Daily Profit Increase Cash Management Wealth Management Product (天天增利現金管理理財產品)” won the award of “Tianji Award for Gold Quality Bank Wealth Management Products (金質銀行理財產品天璣獎)” in 2024 by Securities Times. In the 2024 “Shanghai Securities Golden Wealth Management” Digital Trophy Awards (“上證金理財”數字獎杯評選) organised by Shanghai Securities News, the “Daily Profit Increase Cash Management Wealth Management Product for Institutional Investors (天天增利現金管理機構款理財產品)” won the award of “Cash Management Product of the Year (年度現金管理類產品獎)”, and its fixed income investment team and FOF and equity investment team both received the award of “Investment Management Team of the Year (年度投資管理團隊獎)”. Additionally, CMBC Wealth Management won the award of “Excellent Asset Management Company of the Year (年度優秀資管公司)” in the 18th Golden Cicada Awards (金蟬獎) organised by China Times (華夏時報). For the six months ended 30 June 2025, the net profits of CMBC Wealth Management amounted to RMB531 million. As at 30 June 2025, total assets of CMBC Wealth Management amounted to RMB9,078 million, and the net assets amounted to RMB8,740 million. The scale of products under management amounted to RMB1,138,084 million, representing an increase of 12.05 per cent. as compared with that as at 31 December 2024.

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 2025, the Bank had set up 43 tier-one branches and 105 tier-two branches (including remote sub-branches), 2,416 business outlets of sub-branches, including 1,254 general sub-branches (including business departments), 1,020 community subbranches and 142 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

Building on the former Digital Finance Leading Group, the Bank adjusted and established the Digital Finance Committee to advance the digital transformation strategy in greater depth and with stronger execution. Firstly, the Bank enhanced data-driven decision-making capabilities with operation and management data analysis and application. The Bank actively advanced AI and large model development, deployed the development platform of AI Agent, formed cross-departmental professional teams, and focused on management reform and business empowerment to efficiently facilitate the deep application of AI across various scenarios. Focusing on the management requirements of "standardised data source", and on the basis of improving the life-cycle management and control mechanism of indicators, the Bank strengthened the management of business indicators in terms of caliber definition, algorithm logic, and detailed data. 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.

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 2025, online retail platform users of the Bank amounted to 124,494.4 thousand, representing an increase of 3.18 per cent. as compared with the end of the previous year.

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 2025, online corporate platform users of the Bank amounted to 4,199.7 thousand, representing an increase of 4.13 per cent. as compared with the end of the previous year. The number of bank-enterprise direct connect customers amounted to 7,784, representing an increase of 14.81 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.

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.

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 2025, the Group had 62,044 employees, of which 59,279 were employees of the Bank and 2,765 were employees of its subsidiaries. Amongst these employees of the Group, divided by work nature, 6,176 employees were categorised as the management, accounting for 9.95 per cent., 53,103 employees as the professional team, accounting for 85.59 per cent. The Bank had 13,263 employees with graduate degree or above, accounting for 22.40 per cent. of the total number of employees, 43,720 employees with bachelor's degree, accounting for 73.8 per cent., and 2,296 employees with tertiary qualification or below, accounting for 3.90 per cent., 1,414 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.cmbs.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.

RISK MANAGEMENT

Overview

The Bank adhered to robust and prudent risk culture and risk preference, and strove to build an “updated version” of comprehensive risk management system by taking the opportunity of preparations for the compliant implementation of advanced capital measurement approach, thereby enhancing support for the high-quality development of the whole bank. In accordance with the risk preference of “seeking progress while maintaining stability, optimising structure, and improving quality and efficiency”, the Risk Management and Internal Control Commission of the Head Office studied and judged risk situation, examined the effectiveness of risk and internal control management system, considered major matters, management measures and strategy reports in terms of risk management and internal control and compliance management of the whole bank, and made decisions on businesses within the scope of authority. During the six months ended 30 June 2025, the Bank implemented national policies, proactively responded to external situations, and maintained strategic focus. Centring on “strengthening customer group management, optimising structure, controlling risks, and driving revenue growth”, the Bank focused on fulfilling the responsibility for risk management, perfecting risk management mechanism, conducting optimisation and verification of internal ratings for credit risk, advancing in-depth application of rating results, and carrying out application preparations for the implementation of advanced capital measurement approach and other key tasks. The Bank constantly enhanced risk management capabilities, continued to increase support for the real economy, strengthened risk prevention and mitigation in key fields, and maintained a stable and positive trend of all risk indicators. The “Model Risk Management System Construction Project” of the Bank won the award of “The Risk Data and Analytics Technology Implementation of the Year in China” presented by The Asian Banker.

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.

During the six months ended 30 June 2025, the Bank adhered to the customer-centric philosophy, proactively pushed forward strategic transformation and credit structure optimisation in line with the deployments of the Five-Year Development Plan, and ensured credit placement and financial support for key fields. The Bank accelerated the overall optimisation of credit risk measurement models, focused on promoting the in-depth application of internal evaluation results in performance assessment, loan pricing and other aspects, and strengthened the philosophy of risk cost management. The Bank optimised the credit approval mechanism, proactively increased credit support for key customer groups and areas, and accurately satisfied the reasonable financing needs of customers on the basis of preventing new business risks. The Bank reinforced digital empowerment to credit granting management, and sped up the application of large language model in approval process. Moreover, the Bank comprehensively enhanced its post-lending management capability. It carried out the activity of “Year of Post-Lending and Post-Investment Management Enhancement” to create a strong atmosphere that emphasised post-lending and post-investment management, and improve the effectiveness of post-lending and post-investment management. The Bank also launched a digital and intelligent post-lending management platform for legal person customers (phase I), and realised the transformation of post-lending and post-investment management from manual offline operation to online operation with data empowerment and smart support, laying a solid foundation for the improvement of postlending and post-investment management level. The Bank deepened risk mitigation of non-performing assets, strengthened layered and classified management, and proactively sought for innovation of disposal and mitigation model. The Bank optimised the model of risky asset operation and management, continued to tap into the potential value of written-off assets, intensified recovery efforts, and comprehensively enhanced asset management efficiency.

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, 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 2025, the Bank carried out the identification, measurement, monitoring and reporting of market risk in an orderly manner, and kept all policies and procedures related to market risk running well. The Bank realised overall stability in the occupation of market risk capital and achieved revenue growth of investment transaction business. It has established unified views for market risk, strengthened management empowerment at all levels, and formed macro, meso, and micro views covering the whole Group that supported the monitoring, analysis and decision-making of market risk management personnel at different levels. The Bank conducted risk management by means of strategy portfolios, clearly defined transaction strategies from such perspectives as transaction purposes, transaction models, strategy characteristics, and risk factors, carried out differentiated limit monitoring, and supported the steady development of market-making, agency and other businesses. The Bank enabled the in-depth integration of capital measurement and business management scenarios. Additionally, the Bank established and continuously improved the early-warning and monitoring system for unsecured bonds at the group level, optimised quantitative analysis functions for unsecured bond holdings via multi-dimensional portfolios, and achieved linked management of market risk and credit risk driven by high frequency data. The Bank continued to optimise the management mechanism for investment transaction products covering all risks, entire process and full life cycle, and simultaneously promoted product access management and post-evaluation process.

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 2025, the Bank continued to advance the establishment, planning and implementation of the operational risk (including legal risk) management system, and controlled the loss ratio of operational risks within the risk preference limit. The Bank implemented standard methods for operational risk capital measurement and gradually improved automation of measurement, issued implementing rules for operational risk stress tests, conducted operational risk identification and assessment, indicator monitoring and loss data governance, and iterated the operational risk management system, thus consolidating the foundation for operational risk management. The Bank reinforced the connection between operational risk management and outsourcing risk management and business continuity management, and dynamically updated the scope of outsourcing activities, risk assessment guidelines and access standards. It initiated a new round of business continuity impact analysis, optimised the model of business importance level assessment, and promoted the stable and continuous operation of businesses. Furthermore, the Bank consolidated the foundation for legal risk management, included key laws into internal rules and optimised systems, carried out the layered and classified education activities on the 8th Five-Year Plan for Popularising Legal Knowledge, promoted cracking down on gang-related crimes and eliminating evil forces on a regular basis, and strengthened the development and application of functions such as smart legal review, smart litigation, blockchain, and AI regulations Q&A, in order to ensure legal and compliant operation.

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 2025, the Bank strictly safeguarded the bottom line of liquidity risks, adhered to prudent liquidity risk preference, closely monitored the changes in domestic and international macro economic, monetary and regulatory policies, market liquidity and price level, and proactively judged and forecast future trends. The Bank strengthened monitoring and active management around core risk factors, and improved refined management. The regulatory indicators of liquidity risks remained sound and conformed to the standards, and the daytime liquidity risks stayed safe and controllable. The Bank optimised the Group's consolidated management system for liquidity risks, and reinforced management supervision, indicator monitoring and risk warnings for subsidiaries, thereby promoting the coordinated elevation of the Group's consolidated management of liquidity risks. The Bank strengthened the monitoring and management of limits and indicators 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. The Bank optimised the asset-liability structure, proactively expanded liability sources and channels to diversify the liability sources, continuously optimised the

structure of interbank liabilities, properly conducted management of high-quality liquidity assets, and improved the quality and effectiveness of asset management. The Bank carried out high-frequency early-warning management of liquidity risks, continuously improved the stress test scenario and parameter system, and used systematic tools to increase the frequency and efficiency of stress tests. The Bank regularly conducted emergency drills for liquidity risks and improved its capabilities in risk identification and emergency response. The Bank strictly implemented the third pillar information disclosure requirements of the Capital Rules, strengthened the liquidity risk data governance at both legal person and consolidated Group levels, intensified efforts to advance the development of the asset-liability risk management system and enhanced the automation of data measurement.

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.

In the context of persistent geopolitical risks and increasingly complex international situations, the Bank continued to improve the country risk management system in strict accordance with regulatory requirements and based on business development needs and challenges posed by changes in the global economic situation, optimised country risk ratings and limit models, built an independent and autonomous internal rating system for country risks, and updated and adjusted country risk ratings and limits in a timely manner. The Bank closely monitored changes in country risk exposures, constantly tracked, monitored and reported country risks. It also conducted country risk stress tests, and strengthened the risk early-warning and emergency response mechanism. During the six months ended 30 June 2025, the country risk exposures of the Bank were mainly concentrated in countries and regions with low risks and relatively low risks, and the risks were controlled at a reasonable level in general.

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 2025, the Bank optimised and improved the governance and management system of interest rate risk in banking book, strictly managed and controlled the mismatch level of asset and liability repricing, and strengthened 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. The Bank improved the Group's consolidated management system of interest rate risk in banking book, effectively strengthening the coordinated management of interest rate risk in banking book of the Group and supervising and guiding subsidiaries to improve their risk management. The Bank optimised the limit system, appraisal and supervision and early-warning and reminder of interest rate risk in banking book, and practised strict and effective management in terms of repricing gap, maturity mismatch, duration, and valuation fluctuation, so as to ensure that all risk factors were kept at a prudent and healthy level. The Bank enhanced the early-warning management of interest rate risk in banking book, constantly enriched and perfected scenario assumption and parameter system for stress tests, used systematic tools to elevate the frequency of stress tests, and strengthened its capability in risk identification, early-warning and emergency response. The Bank optimised the functions of the asset-liability risk management system, improved management models and database, increased the automatic measurement and monitoring frequency of indicators of interest rate risk in banking book, and enhanced the levels of risk data analysis and monitoring.

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 2025, the Bank further optimised mechanisms and processes, improved response strategies, accumulated reputation capital, and continuously improved the foresight, timeliness and effectiveness of reputation risk management. The Bank implemented the philosophy of steady and prudent development, emphasised prevention and control from the source, and improved management professionalism. Within the framework of comprehensive risk management, the Bank timely assessed the potential threats of contagion among various risks, predicted public opinion trend, and deployed special monitoring.

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 2025, the Bank strictly implemented regulatory requirements, and proactively promoted IT risk management to ensure compliance and security. The Bank continuously strengthened cyber and data security, completed the assessment of data security risks, fixed high-risk vulnerabilities of important application systems, effectively dealt with cyber-attacks, and blocked spam emails, thus ensuring a sound situation of overall cyber and data security. The Bank comprehensively carried out IT risk assessment and organised the formulation of contingency plans and drill schedules for outsourcing service interruption at the Head Office and branches. The Bank optimised IT risk monitoring indicators, enhanced the effectiveness of monitoring, and identified risks and gave early-warning notifications in a timely manner, so as to guarantee the safe and steady operation of the IT system.

Compliance Risk Management

The Bank's compliance risk refers to the potential for a financial institution or its employees to face criminal, administrative, or civil legal liability, financial loss, reputation loss, or other adverse consequences due to violations of compliance regulations in operation and management activities of the financial institution or duty performance behaviours of its employees.

For the six months ended 30 June 2025, the Bank thoroughly implemented the philosophy that "compliant operation is the core competitiveness", and practically enhanced the effectiveness of compliance management to effectively ensure high-quality development. The Bank carried out the activity of "Year of High-Quality and Compliant Development", and constantly improved compliance operation and management by virtue of activation and cohesion forces of annual events. The Bank reinforced the internalisation of external regulations, revised and improved basic compliance rules, strengthened the transmission of regulatory policies, optimised the rule interpretation mechanism, and has built a multi-level and three-dimensional compliance duty performance system. The Bank advanced the development of digital capabilities, and has built a compliance risk monitoring system and established a compliance monitoring platform, and perfected employee behaviour risk portraits in an effort to effectively manage and control all kinds of compliance risks. The Bank strengthened case risk warnings and alerts, completed annual case risk assessment and practitioner behaviour assessment, effectively conducted compliance inspections, and established a virtuous cycle of inspection, rectification, assessment and enhancement by taking strengthening the source-tracing and rectifications of problems as the starting point.

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 2025, the Bank further improved the "group-based" money laundering risk management system, adhered to the basic principle of "taking risk first", and continuously strengthened the quality and effectiveness of money laundering risk management. The Bank carried out a pilot program for the centralised operation (supportive) model of anti-money laundering (AML), optimised the model of customer AML due diligence, and continuously improved the quality of due diligence. The Bank reinforced the effectiveness of money laundering risk assessments and accurately made rectifications and allocated resources according to assessment results. The Bank improved the institutional sanctions risk prevention and control system, and optimised sanction risk prevention and control strategies and measures. The Bank reinforced money laundering risk monitoring and management, developed intelligent suspicious transaction monitoring models, and established a risk early-warning mechanism for interrelated businesses. The Bank accelerated the intelligent development of AML work, launched smart dashboard screens for money laundering risks, realised visualised risk distribution in real time, and helped frontline staff to improve the effectiveness of duty performance. The Bank strengthened AML information security management and consolidated the defense lines for financial data security. Additionally, the Bank conducted special AML training, deepened money laundering risk research and application, and enhanced the duty performance capabilities of branches and financial subsidiaries at all levels.

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 2023 and 2024, and the Group's unaudited but reviewed condensed consolidated interim financial statements as at and for the six months ended 30 June 2024 and 2025, included elsewhere in this Offering Circular. Such consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB.

Assets

As at 30 June 2025, the Group's total assets amounted to RMB7,768.9 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
	2022	2023	2024	2025 (Unaudited)
	(in millions of Renminbi, except percentages)			
Measured at amortised cost:				
Corporate loans and advances				
– Corporate loans	2,144,501	2,337,357	2,447,412	2,583,590
Subtotal	2,144,501	2,337,357	2,447,412	2,583,590
Personal loans and advances				
– Micro lending	621,598	651,788	643,014	620,898
– Residential mortgage	573,274	546,300	559,218	579,555
– Credit cards	462,788	487,973	477,247	449,902
– Others	84,208	81,461	91,080	92,280
Gross balance	1,741,868	1,767,522	1,770,559	1,742,635
Less: allowance for impairment				
– Losses	(97,639)	(96,793)	(92,404)	(95,115)
Subtotal	3,788,730	4,008,086	4,125,567	4,231,110
Measured at fair value through other comprehensive income:				
Corporate loans and advances				
– Corporate loans	8,717	2,419	13,500	24,509
– Discounted bills	246,058	277,579	219,009	119,140
Subtotal	254,775	279,998	232,509	143,649
Interest accrued	29,477	35,824	37,960	39,006
Net balance	4,072,982	4,323,908	4,396,036	4,413,765

As at 31 December 2022, 2023 and 2024 and 30 June 2025, net balance of the Group's loans and advances to customers amounted to RMB4,073.0 billion, RMB4,323.9 billion, RMB4,396.0 billion and RMB4,413.8 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	
	2022		2023		2024		2025	
	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	523,343	12.64	556,874	12.70	547,070	12.29	588,427	13.16
Manufacturing	396,308	9.57	465,092	10.61	508,464	11.42	485,863	10.87
Real estate	363,344	8.77	346,298	7.90	333,439	7.49	332,648	7.44
Wholesale and retail	263,607	6.37	286,014	6.52	295,899	6.65	288,505	6.45
Transportation, storage and postal services	154,492	3.73	168,187	3.84	171,065	3.85	191,745	4.29
Water, environment and public utilities management	167,684	4.05	170,648	3.89	165,256	3.71	175,289	3.92
Production and supply of electric power, heat, gas and water	103,403	2.50	130,512	2.98	136,116	3.06	148,886	3.33
Financial services	115,764	2.79	165,194	3.77	173,059	3.89	137,806	3.08
Construction	109,689	2.65	119,477	2.72	125,336	2.82	128,517	2.88
Mining	72,705	1.76	69,034	1.57	64,345	1.45	68,278	1.53
Information transmission, software and information technology services	41,727	1.01	42,602	0.97	45,895	1.03	56,711	1.27
Scientific research and technical services	–	–	22,216	0.50	39,153	0.88	43,856	0.98
Agriculture, forestry, animal husbandry and fishery ...	20,420	0.49	21,376	0.49	22,837	0.51	26,212	0.59
Others	49,212	1.19	59,799	1.36	51,987	1.17	54,496	1.22
Subtotal	2,399,276	57.94	2,617,355	59.69	2,679,921	60.22	2,727,239	61.01
Personal loans and advances	1,741,868	42.06	1,767,522	40.31	1,770,559	39.78	1,742,635	38.99
Total	4,141,144	100.00	4,384,877	100.00	4,450,480	100.00	4,469,874	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 transportation, storage and postal services represent the major components of the Group's total loans and advances as at 30 June 2025, and loans and advances in these sectors accounted for 42.21 per cent. of the Group's total loans and advances and 69.20 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	
	2023		2024		2025	
	Amount	Per cent.	Amount	Per cent.	Amount (Unaudited)	Per cent.
(in millions of Renminbi, except percentages)						
Head Office	492,829	11.24	487,000	10.94	457,948	10.25
Yangtze River Delta	1,125,915	25.68	1,155,778	25.97	1,185,370	26.52
Pearl River Delta	689,726	15.73	710,655	15.97	724,478	16.21
Bohai Rim	701,020	15.99	693,598	15.58	690,692	15.45
Northeastern Region	100,418	2.29	91,780	2.06	92,682	2.07
Central Region	509,089	11.61	510,355	11.47	504,479	11.29
Western Region	660,499	15.06	680,003	15.28	685,311	15.33
Institutions outside the Chinese mainland and subsidiaries	105,381	2.40	121,311	2.73	128,914	2.88
Total	4,384,877	100.00	4,450,480	100.00	4,469,874	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	
	2022		2023		2024		2025	
	Amount	Per cent.	Amount	Per cent.	Amount	Per cent.	Amount (Unaudited)	Per cent.
(in millions of Renminbi, except percentages)								
Performing loans	4,071,757	98.32	4,319,780	98.52	4,384,870	98.53	4,403,822	98.52
Of which:								
Pass	3,952,037	95.43	4,201,253	95.82	4,264,500	95.83	4,281,992	95.80
Special-mentioned	119,720	2.89	118,527	2.70	120,370	2.70	121,830	2.72
Non-performing loans	69,387	1.68	65,097	1.48	65,610	1.47	66,052	1.48
Of which:								
Substandard	27,729	0.67	26,978	0.61	20,090	0.45	14,875	0.33
Doubtful	23,107	0.56	18,004	0.41	12,070	0.27	14,280	0.32
Loss	18,551	0.45	20,115	0.46	33,450	0.75	36,897	0.83
Total	4,141,144	100.00	4,384,877	100.00	4,450,480	100.00	4,469,874	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	
	2022		2023		2024		2025	
	Amount	Per cent.	Amount	Per cent.	Amount	Per cent.	Amount (Unaudited)	Per cent.
(in millions of Renminbi, except percentages)								
Deposits from customers . . .	4,051,592	60.99	4,353,281	61.86	4,332,681	60.52	4,382,087	62.01
Of which: total deposits from customers (excluding accrued interests)	3,993,527	60.12	4,283,003	60.86	4,249,095	59.36	4,311,002	61.01
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	1,583,181	23.83	1,433,192	20.37	1,321,830	18.47	1,056,506	14.95
Debt securities issued	648,107	9.76	675,826	9.60	941,025	13.15	1,049,973	14.86
Borrowings from the central bank and other financial institutions	250,030	3.76	442,169	6.28	373,101	5.21	358,991	5.08
Others	109,949	1.66	132,696	1.89	189,764	2.65	219,052	3.1
Total	6,642,859	100.00	7,037,164	100.00	7,158,401	100.00	7,066,609	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	
	2022		2023		2024		2025	
	Amount	Per cent.	Amount	Per cent.	Amount	Per cent.	Amount (Unaudited)	Per cent.
(in millions of Renminbi, except percentages)								
Corporate deposits	2,966,375	74.28	3,068,931	71.65	2,946,810	69.35	2,931,599	68.00
Of which:								
Demand deposits	1,014,133	25.39	1,024,828	23.93	1,051,320	24.74	1,066,816	24.75
Time deposits	1,952,242	48.89	2,044,103	47.72	1,895,490	44.61	1,864,783	43.25
Personal deposits	1,020,544	25.55	1,206,587	28.17	1,298,353	30.56	1,377,592	31.96
Of which:								
Demand deposits	289,671	7.25	295,892	6.91	396,934	9.34	438,833	10.18
Time deposits	730,873	18.30	910,695	21.26	901,419	21.22	938,759	21.78
Certificates of deposit	4,159	0.10	4,976	0.12	1,738	0.04	–	–
Outward remittance and remittance payables	2,449	0.07	2,509	0.06	2,194	0.05	–	–
Others	–	–	–	–	–	–	1,811	0.04
Total	3,993,527	100.00	4,283,003	100.00	4,249,095	100.00	4,311,002	100.00

Deposits and Placements from Banks and other Financial Institutions and Financial Assets Sold under Repurchase Agreements

As at 30 June 2025, the deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,056,506 million, representing a decrease of RMB265,324 million, or 20.07 per cent., as compared with that as at 31 December 2024.

Debt Securities Issued

As at 30 June 2025, total debt securities issued by the Group amounted to RMB1,049,973 million, representing an increase of RMB262,668 million, or 36.15 per cent., as compared with that as at 31 December 2024.

SUBSTANTIAL SHAREHOLDERS

The table below sets forth particulars of shareholding of the top ten holders of ordinary shares (excluding shares lent for refinancing) of the Bank as at 30 June 2025:

Name of Shareholder	No. of Shares directly or indirectly held	Approximate percentage of share capital (per cent.)	Class of Shares (A, B, H or others)
HKSCC Nominees Limited	8,287,619,818	18.93	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
Shenzhen Liye Group Co., Ltd.	1,966,999,113	4.49	A
New Hope Liuhe Investment Co., Ltd.	1,828,327,362	4.18	A
Tongfang Guoxin Investment Holding Co., Ltd.	1,573,675,801	3.59	A
Shanghai Giant Lifetech Co., Ltd.	1,379,679,587	3.15	A
China Shipowners Mutual Assurance Association ...	1,324,284,453	3.02	A
Orient Group Incorporation	1,280,117,123	2.92	A
HKSCC Limited	1,241,360,874	2.84	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. WANG Xiaoyong	Vice Chairman, President and Executive Director
Mr. ZHANG Juntong	Executive Director and Executive Vice President
Mr. LIU Yonghao	Vice Chairman and Non-Executive Director
Mr. SHI Yuzhu	Non-Executive Director
Mr. SONG Chunfeng	Non-Executive Director
Mr. ZHAO Peng	Non-Executive Director
Mr. LIANG Xinjie	Non-Executive Director
Mr. LIN Li	Non-Executive Director
Mr. Zheng Haiyang	Non-Executive Director (qualification as director pending approval from the NAFR)
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

Executive Directors

Mr. GAO Yingxin, born in 1962, is Chairman and an Executive Director of the Bank. Mr. GAO is concurrently Chairman of CMBC International. Before joining the Bank, he was a vice chairman of the board and the chief executive of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited from January 2018 to May 2020, an executive director of Bank of China Limited ("BOC") 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, the president and chief operating officer of BOC International Holdings Limited from July 2004 to February 2005, the 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 was a member of the 13th National Committee of the Chinese People's Political Consultative Conference (CPPCC). 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. WANG Xiaoyong, born in 1970, is a Vice Chairman, an Executive Director and President of the Bank. Before joining the Bank, from September 2016 to February 2024, Mr. WANG had successively served as the president of the Chongqing branch, the general manager of the channel and operation management department, and the president of the Sichuan branch of China Construction Bank. From June 2006 to September 2016, he had successively served as an assistant general manager of the risk monitoring and control department, a deputy general manager of the credit management department, a vice president of the Shandong branch and a vice president of the Gansu branch of China Construction Bank. From April

1996 to June 2006, he had successively worked at the audit department, the office of the risk and internal control management committee and the risk management department of China Construction Bank. Mr. WANG graduated from Beijing Normal University with a Bachelor's Degree in 1991. Mr. WANG obtained his Master's Degree in Accounting from the Central University of Finance and Economics in 1996, and his Ph.D. Degree in Management Science and Engineering from Tianjin University in 2013. He is currently a senior economist.

Mr. ZHANG Juntong, born in 1974, is an Executive Director and an Executive Vice President of the Bank. Mr. ZHANG served as Chairman of the Board of Supervisors and an Employee Supervisor of the Bank, and Chairman of the Supervisory Committee and a member of the Nomination and Examination Committee of the Board of Supervisors from February 2017 to March 2024. Mr. ZHANG graduated from Peking University with a Bachelor's Degree in 1997, and obtained his Master's Degree in World Economy from Peking University in 2000.

Non-Executive Directors

Mr. LIU Yonghao, born in 1951, is a Vice Chairman and a Non-Executive Director of the Bank. Mr. LIU is currently the chairman and president of New Hope Group Co., Ltd., a member of the 14th CPPCC National Committee, the chairman of the General Association of Sichuan Entrepreneurs, a vice president of China Association for Public Companies and one of the promoters of China Guangcai Programme. Mr. LIU was also a vice chairman of the 7th and 8th 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 Committee for Economic Affairs of 10th and 11th CPPCC National Committee, a deputy to the 12th National People's Congress (NPC) and a member of the 13th CPPCC National Committee, a vice chairman of China Society for Promotion of the Guangcai Programme.

Mr. SHI Yuzhu, born in 1962, is a Non-Executive Director of the Bank. Mr. SHI is the chairman of Giant Network Group Co., Ltd. (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 software science department from Shenzhen University in 1990.

Mr. SONG Chunfeng, born in 1969, is a Non-Executive Director of the Bank. Mr. SONG is the general manager of China Shipowners Mutual Assurance Association, a vice president of China Shipowners' Association, a 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, a director of CPI Services (UK) Limited, was a supervisor of Haitong Securities Co., Ltd. Mr. SONG was a managing director of COSCO (Hong Kong) Insurance Brokers Limited, the chairman and general manager of Shenzhen COSCO Insurance Brokers Limited, a manager of the commerce office under the transportation department of COSCO/China COSCO Holdings Co., Ltd., and a principal staff member, a deputy division director, and the division director 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. ZHAO Peng, born in 1973, is a Non-Executive Director of the Bank. Mr. ZHAO is an assistant general manager and board secretary of Dajia Insurance Group Co., Ltd. Mr. ZHAO served as a director of Dajia Life Insurance Co., Ltd., 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, an executive member of Rizhao Commercial Bank, a director of Beijing Tong Ren Tang Co., Ltd., and a director of Sino-Ocean Group Holding Limited. 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.

Mr. LIANG Xinjie, born in 1977, is a Non-Executive Director of the Bank. Mr. LIANG is a director and the general manager of Dajia Property & Casualty Insurance Co., Ltd. Mr. LIANG was previously an assistant general manager then a deputy general manager of Dajia Property & Casualty Insurance Co., Ltd., the general manager of the vehicle insurance department of Dinghe Property Insurance Co., Ltd., and the general manager of the underwriting department and a deputy general manager of the vehicle insurance department of China United Property Insurance Co., Ltd. Mr. LIANG obtained the degree of Master of Finance from Southwestern University of Finance and Economics in 2006.

Mr. LIN Li, born in 1963, is a Non-Executive Director of the Bank. Mr. LIN is currently the chairman of Shenzhen Liye Group Co., Ltd. (深圳市立業集團有限公司) and Chinalin Securities Co., Ltd. (華林證券股份有限公司), a director of WeBank Co., Ltd. (深圳前海微眾銀行股份有限公司), Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) and E-Capital Transfer Co., Ltd. (證通股份有限公司), a vice chairman of Federation of Industry and Commerce of Tibet Autonomous Region (西藏自治區工商聯合會), a standing committee member of Shenzhen Federation of Industry and Commerce, the chairman of Shenzhen Social Commonwealth Foundation, a vice chairman of Federation of Shenzhen Commerce, and a vice chairman of Society for Promotion of the Guangcai Programme of Tibet Autonomous Region. Mr. LIN was previously a deputy to the Fifth People's Congress of Shenzhen, a member of the Third and Fourth CPPCC Shenzhen Committee, a supervisor of Ping An Insurance (Group) Company of China, Ltd., the chief auditor and head of accounting department of Shenzhen Shangbu Sub-branch and the head of Shenzhen Binhe Sub-branch of Bank of China, the manager of the finance department of Shenzhen Zhonghua Trading Company, an accountant of Heyuan Zijin Sub-branch of Agricultural Bank of China, and a credit officer of Heyuan Zijin Sub-branch of People's Bank of China. Mr. LIN holds a doctorate degree in finance and has the qualifications for accountant and AMAC fund practitioner.

Mr. Zheng Haiyang, born in 1971, is a Non-Executive Director of the Bank (qualification as director pending approval from the NAFR) and currently serves as the vice president of China Great Wall Asset Management Co., Ltd. Mr. Zheng previously served as deputy general manager of China Insurance Security Fund Co., Ltd., and general manager, deputy general manager and assistant general manager at the Tianjin Branch of China Cinda Asset Management Co., Ltd. Mr. Zheng graduated from Tianjin University in 1994 with a Bachelor's degree, and obtained a Master's degree in Business Administration from Tianjin University in 2000. He holds the professional title of senior economist.

Independent Non-Executive Directors

Mr. QU Xinjiu, born in 1964, is an Independent Non-Executive Director of the Bank. He is 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, the 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, and a part-time lawyer 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 system development and compliant operation.

Ms. WEN Qiuju, born in 1965, is an Independent Non-Executive Director of the Bank. Ms. WEN serves as a managing partner of Da Hua Certified Public Accountants LLP 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.

She is a certified public accountant and a certified public valuer. As an accounting professional, Ms. WEN has extensive experience in accounting, auditing and management consulting and can further contribute to the gender diversity of the composition of the Board. She provides valuable advice to the Board from the perspective of professional accounting and auditing.

Mr. SONG Huanzheng, born in 1968, is an Independent Non-Executive Director of the Bank. Mr. SONG 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 standing council member of the Chinese Civil Procedural Law Association of the China Law Society, a member of the Expert Committee for China Association of Trade in Services, a standing council member of the Corporate Governance Research Branch of the China Behaviour Law Association, an expert of the think tank of the China Academy of Management Science, 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 State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (Beijing SASAC) (appointed to Beijing State-owned Assets Management Co., Ltd.), an arbitrator and a member of the Expert Advisory Committee of the Chongqing Arbitration Commission, a part-time professor of the School of Law and the director of the Legal Practice Research Centre of Xiangtan University. Mr. SONG was the chief lawyer of China Real Estate Development Group, a standing council member of Chinese Society of International Economic Law and an external director of a municipal state-owned enterprise under the Beijing SASAC (appointed to the Beijing Enterprises Group Company Limited). Mr. SONG obtained a Master's Degree in Economic & Law from Southwest University of Political Science and Law in 1993. He is qualified as a lawyer.

Mr. SONG has extensive experience in corporate law, financial law, securities law and bankruptcy law, with nearly 30 years of experience as a practicing lawyer. He can diversify the composition of the Board, and provide valuable advice to the Board on corporate governance, internal control and compliance.

Mr. YEUNG Chi Wai, Jason, born in 1955, Chinese (Hong Kong) nationality, is an Independent Non-Executive Director of the Bank. Mr. YEUNG serves as the group chief compliance and risk management officer of Fung Holdings (1937) Limited, and an independent non-executive director of China Telecom Corporation Limited. Mr. YEUNG served as an independent non-executive director of Bank of Communications Co., Ltd and AviChina Industry & Technology Company Limited; a deputy chief executive (personal banking business) of Bank of China (Hong Kong) Limited, the board secretary of Bank of China (Hong Kong) Limited, board secretary of Bank of China Limited; a director and legal counsel of China Everbright Limited and China Everbright International Ltd; a lawyer and partner of WooKwan Lee & Lo; a member of the Hong Kong Hospital Authority Board; a 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 Business School of the University of Western Ontario in Canada in 2001.

Mr. YEUNG is qualified as a lawyer. Mr. YEUNG has extensive experience in finance, law, regulation and compliance and can diversify the composition of the Board. He provides valuable advice to the Board on corporate governance, bank management and other aspects.

Mr. CHENG Fengchao, born in 1959, is an Independent Non-Executive Director of the Bank. Mr. CHENG serves as the chairman of the Research Society for Finance and Industry (a social organization), an independent non-executive director of PICC Property and Casualty Company Limited and Sinochem International Corporation, a member of the Academic Advisory Committee of the China Association for Public Companies, and a doctoral supervisor of Hunan University. Mr. CHENG was previously an equity director of Industrial and Commercial Bank of China Limited and Agricultural Bank of China Limited, a supervisor of China Everbright Group, an external supervisor of China Huarong Asset Management Co., Ltd. (currently known as “China CITIC Financial Asset Management Co., Ltd.”), an independent non-executive director of Minerals Capital Company Limited, Beijing GeoEnviron Engineering & Technology, Inc., Lihuayi Weiyuan Chemical Co., Ltd. and Tongfang Co., Ltd., the legal representative of Beijing Mingjia Zhibo Enterprise Management Consulting Co., Ltd. (北京名嘉智博企業管理諮詢有限公司), the general manager of the development and research department, appraisal management department, etc and other sectors of China Great Wall Asset Management Company (currently known as “China Great Wall Asset Management Co., Ltd.”) and a vice chairman and the secretary general of the Hebei Institute of Certified Public Accountants. Mr. CHENG obtained his Ph.D Degree in Management Science and Engineering from Business School of Hunan University in 2004. He is a financial science researcher, a senior accountant, a certified public accountant, a certified public valuer.

Mr. CHENG has extensive experience in accounting, audit, appraisal, banking and securities business and can diversify the composition of the Board. He provides valuable advice to the Board on corporate governance and professional accounting.

Mr. LIU Hanxing, born in 1973, is an Independent Non-Executive Director of the Bank. Mr. LIU is now the general manager of Mingzhe Maosheng (Hainan) Investment Co., Ltd. He previously served as the director of the general office, asset allocation & research department and equity management department of the National Council for Social Security Fund of the People’s Republic of China, an non-executive director of Bank of Communications Co., Ltd., a vice president of Beijing branch of Bank of Communications Co., Ltd., a deputy division director of the non-bank department and a deputy division director of the information centre of the former China Banking Regulatory Commission, and a principal staff member of the general office of the People’s Bank of China. Mr. LIU obtained Ph.D Degree in Management Science and Engineering from the Graduate School of the Chinese Academy of Sciences in 2012. He holds the qualification of intermediate financial economist.

Mr. LIU specialises in asset allocation and equity investment with extensive experience in corporate governance and banking practice. He provides valuable advice to the Board on corporate governance and bank management.

Supervisors

Name	Position
Mr. WENG Zhenjie	Vice Chairman of the Board of Supervisors and Shareholder Supervisor
Mr. WU Di	Shareholder Supervisor
Mr. LU Zhongnan	External Supervisor
Mr. LI Yu	External Supervisor
Mr. LONG Ping	Employee Supervisor
Mr. MAO Bin	Employee Supervisor

Mr. WENG Zhenjie, born in 1962, is a Vice Chairman of the Board of Supervisors and a Shareholder Supervisor of the Bank. Mr. WENG is the chairman of Chongqing International Trust Inc. and GuoDu Securities Co., Ltd. He also serves as a director of China Trust Protection Fund Co., Ltd., and China Trust Registration Corporation Limited. Mr. WENG worked as the chairman and chief executive officer of Chongqing International Trust Inc., the chairman of Yimin Asset Management Co., Ltd., Southwest Securities Co., Ltd. and Chongqing Three Gorges Bank Co., Ltd., a director of Hefei Science & Technology Rural Commercial Bank Company Limited, a vice chairman of the Chongqing Municipal Committee of CNDCA, a member of the 9th Central Economic Committee of CNDCA, a deputy officer of the 10th and 11th Central Financial Committee of CNDCA, a deputy to the third and fourth Chongqing Municipal People's Congress and a standing committee member of the standing committee of the third and fourth Chongqing Municipal People's Congress, a standing member of the 5th CPPCC Chongqing Municipal Committee, 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. WU Di, born in 1965, is a Shareholder Supervisor of the Bank. Mr. WU is the chairman and president of Good First Group Co., Ltd., a director of Hangzhou United Rural Commercial Bank, and the chairman and an executive director of Datang Group Holdings Limited. Mr. WU is also a deputy to the Fujian Provincial People's Congress, a member of the CPPCC Xiamen Municipal Committee, 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 council member of the Education Foundation and a guest professor of Renmin University of China. Mr. WU is a senior economist.

Mr. LU Zhongnan, born in 1955, is an External Supervisor of the Bank. Mr. LU is currently an independent director of Yantai Bank Co., Ltd. and Harbin Bank Financial Leasing Co., Ltd. (哈銀金融租賃有限責任公司). He was previously an independent director of Qilu Bank Co., Ltd. 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 an External Supervisor of the Bank. Mr. LI is a vice chairman of Shanghai Innovation Investment Limited (上海創新投資有限公司) and the CEO of Ranger-Duree Healthcare Management Group Co., Ltd. Mr. LI was previously the executive president of Shandong Yatai Zhonghui Group Co., Ltd. the executive president 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. LONG Ping, born in 1971, is an Employee Supervisor and General Manager of the Audit Department of the Bank. Mr. LONG joined the Bank in 1997 and successively served as Division Director of the Operation Management Division of the Accounting and Settlement Department, Assistant General Manager of the Accounting and Settlement Department, Assistant General Manager, a Deputy General Manager, a Deputy General Manager (in charge) and then General Manager of the Operation Management Department, and General Manager of the Audit Department of the Head Office. He previously served as a foreign exchange accountant at the Shenzhen branch of the Industrial and Commercial Bank of China from July 1992 to September 1997. Mr. LONG graduated from the School of Economics and Management at Beijing Jiaotong University and obtained his MBA Degree.

Mr. MAO Bin, born in 1969, is as an Employee Supervisor and General Manager of the IT Department of the Bank. Mr. MAO joined the Bank in 2006 and successively served as Division Director of the Application System Development Division of the Development Centre, Division Director of the Trading Business Centre of the Planning and Demand Department (a tier-2 department), and then Division Director of the Application Development Centre III of the Software Development Department (a tier-2 department) of the Technology Development Department, and a Deputy General Manager, a Deputy General Manager (in charge), and then General Manager of the IT Department. Mr. MAO served as a deputy division director of the technology division of the PBOC Zigong branch and a deputy general manager of the computer centre of Huaxi Securities Co., Ltd. Mr. MAO graduated from Wuhan University with a Bachelor's Degree in Computer Application.

Senior Management

Name	Position
Mr. WANG Xiaoyong	Vice Chairman, President and Executive Director
Mr. ZHANG Juntong	Executive Director and Executive Vice President
Ms. LI Bin	Executive Vice President and Board Secretary
Mr. LIN Yunshan	Executive Vice President
Mr. HUANG Hongri	Executive Vice President
Mr. LI Wenshi	Executive Vice President
Mr. ZHANG Bin	Chief Information Officer
Mr. GONG Zhijian	Business Director

Mr. WANG Xiaoyong is a Vice Chairman and President of the Bank. Please refer to his biography in “Directors – Executive Directors”.

Mr. ZHANG Juntong is an Executive Director and an Executive Vice President of the Bank. Please refer to his biography in “Directors – Executive Directors”.

Ms. LI Bin, born in 1967, is an Executive Vice President and 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 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 and concurrently the chairman of the board of supervisors of China UnionPay Co., Ltd. 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 Economics from Renmin University of China.

Mr. HUANG Hongri, born in 1972, is an Executive Vice President and concurrently Chairman of Minsheng Financial Leasing. In China Minsheng Bank, Mr. HUANG used to serve as Division Director of the Information and Planning Centre of the Corporate Banking Department, the Marketing Director of the Energy Finance SBU, President of the Nanning Branch, General Manager of the Corporate Banking Department, General Manager of the Corporate Business Strategic Planning Department of the Corporate and Investment Banking SBU, President of the Guangzhou Branch, General Manager of the Credit Management Department and General Manager of the Credit Approval Department. Mr. HUANG obtained his Master's Degree in International Finance from Hunan University. He is currently an economist.

Mr. Li Wenshi, born in 1977, is an Executive Vice President and the President of the Beijing Branch of the Bank. Mr. Li joined the Bank in 2004 and has served as General Manager of the Strategic Clients Department of the Head Office and concurrently the Person in Charge of the Real Estate Finance Department, President of the Tianjin Branch, a Deputy General Manager (Person in Charge) of the Special Assets Department of the Head Office, a Deputy General Manager of the Group Finance SBU, a Deputy Director of Beijing Department II, Marketing Director of Hohhot Department and then Senior Assistant to President of the Energy Finance SBU, and a Deputy General Manager (Person in Charge) of the Corporate Banking Management Department of the Taiyuan Branch of the Bank. Before joining the Bank, Mr. Li worked for the International Investment and Trade Service Center of China Council for the Promotion of International Trade Shanxi Provincial Committee and Beijing Dadu Law Firm. Mr. Li obtained the Bachelor's Degree in Laws from the School of Law of Shanxi University in 1998 and the EMBA Degree from Tsinghua University in 2011.

Mr. ZHANG Bin, born in 1967, is Chief Information Officer of the Bank. Prior to joining the Bank, Mr. ZHANG served as the chief information officer of Ping An Bank from 2018 to 2021, a member of the preparatory team, a 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), the general manager, and the 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 the Beijing branch of China Merchants Bank 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.

Mr. GONG Zhijian, born in 1967, is Business Director 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, President of Chengdu Branch, General Manager of the Human Resources Department of the Head Office, and an Employee Supervisor of the Bank. 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 the 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.

The Company Secretary

Mr. WANG Honggang, is fellow of both The Chartered Governance Institute (CGI) and The Hong Kong Chartered Governance Institute (HKCGI), a Chartered Secretary, and a Chartered Governance Professional. Mr. WANG is a postdoctoral researcher at Peking University, and is General Manager of the Office of the Board of the Bank. Mr. WANG has assumed the position of Representative of Securities Affairs of the Bank since 2012.

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 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, with effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the “**FSIE Amendments**”), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the FSIE Amendments) 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 FSIE Amendments also provide 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 (中華人民共和國中國人民銀行法, 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 is no longer 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 of the State Administration of Foreign Exchange on Reforming Foreign

Exchange Capital Settlement for Foreign Invested Enterprises (國家外匯管理局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 (as amended on 30 December 2019 and 23 March 2023), 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 filings 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 Renminbi 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 depository 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 CMI's (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 2025, 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 2023 and 2024;
- (v) the unaudited but reviewed condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2024 and 2025;
- (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

This Offering Circular contains the audited consolidated financial statements of the Group as at and for the years ended 31 December 2023 and 2024. The consolidated financial statements as at and for the year ended 31 December 2023 were audited by PwC, the then independent auditor of the Bank, and prepared in accordance with IFRS Accounting Standards issued by the IASB. The audited consolidated financial statements as at and for the year ended 31 December 2024 were audited by KPMG, the independent auditor of the Bank, and prepared in accordance with IFRS Accounting Standards issued by the IASB. The audited consolidated financial statements as at and for the years ended 31 December 2023 and 2024 were extracted from the Group's published annual reports for the years ended 31 December 2023 and 2024 respectively and have been published on the HKSE.

This Offering Circular contains the 2024 Interim Financial Statements. The 2024 Interim Financial Statements were prepared in accordance International Accounting Standard 34 "Interim Financial Reporting" 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 2024 Interim Financial Statements were extracted from the Group's published interim reports for the six months ended 30 June 2024 and have been published on the HKSE.

This Offering Circular contains the 2025 Interim Financial Statements. The 2025 Interim Financial Statements were prepared in accordance International Accounting Standard 34 “Interim Financial Reporting” and reviewed by KPMG 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 2025 Interim Financial Statements were extracted from the Group’s published results announcement for the six months ended 30 June 2025 and have been published on the HKSE.

The Interim Financial Statements 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 the 2025 Interim Financial Statements 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 2025 or any period thereafter. None of the Arrangers 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 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.

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Notes:

- (1) The unaudited but reviewed condensed consolidated interim financial statements for the six months ended 30 June 2025 are reproduced from the Bank's interim result announcement for the six months ended 30 June 2025. Page references referred to in the report are to pages set out in such interim result announcement. The report on review of interim financial information and the condensed consolidated interim financial statements of the Bank have not been specifically prepared for inclusion in this Offering Circular.
- (2) The unaudited but reviewed condensed consolidated interim financial statements for the six months ended 30 June 2024 are reproduced from the Bank's interim report for the six months ended 30 June 2024. Page references referred to in the report are to pages set out in such interim report. The report on review of interim financial information and the condensed consolidated interim financial statements of the Bank have not been specifically prepared for inclusion in this Offering Circular.
- (3) The consolidated financial statements of the Bank for the years ended 31 December 2023 and 2024 together with the independent auditor's reports set out herein are reproduced from the Bank's annual reports for the years ended 31 December 2023 and 2024, 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
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 134 to 254, which comprises the condensed consolidated interim statement of financial position of China Minsheng Banking Corp., Ltd. (the “Bank”) and its subsidiaries (collectively the “Group”) as at 30 June 2025 and the condensed consolidated interim statement of profit or loss, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and IAS 34 Interim Financial Reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 Interim Financial Reporting.

Our responsibility is to express a conclusion, based on our review, on the interim financial information 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, issued by the International Auditing and Assurance Standards Board. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2025 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2025

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Six months ended 30 June	
		2025 (unaudited)	2024 (unaudited)
Interest income		113,980	127,963
Interest expense		(64,777)	(79,381)
Net interest income	1	49,203	48,582
Fee and commission income		11,225	11,458
Fee and commission expense		(1,540)	(1,813)
Net fee and commission income	2	9,685	9,645
Net trading gain	3	2,203	4,001
Net gain from investment securities	4	8,883	1,854
Including: disposals of financial assets measured at amortised cost		2,772	1,024
Net other operating income	5	727	1,507
Operating expenses	6	(21,522)	(21,453)
Credit impairment losses	7	(26,039)	(20,551)
Other impairment losses	8	(346)	(109)
Profit before income tax		22,794	23,476
Income tax expense	9	(1,318)	(767)
Net profit		21,476	22,709
Net profit attributable to:			
Equity holders of the Bank		21,380	22,474
Non-controlling interests		96	235
Earnings per share (expressed in RMB Yuan)			
Basic and diluted earnings per share	10	0.45	0.43

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2025
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Six months ended 30 June	
		2025	2024
		(unaudited)	(unaudited)
Net profit		21,476	22,709
Other comprehensive income of the period, net of tax	40	(1,496)	2,036
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		280	146
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income			
Changes in fair value		(1,889)	1,825
Allowance for impairment losses		142	17
Effective hedging portion of gains or losses arising from cash flow hedging instruments		32	23
Exchange difference on translating foreign operations		(61)	25
Total comprehensive income of the period		19,980	24,745
Total comprehensive income attributable to:			
Equity holders of the Bank		19,902	24,442
Non-controlling interests		78	303

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2025

(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2025 (unaudited)	31 December 2024 (audited)
ASSETS			
Cash and balances with central bank	11	285,183	285,449
Balances with banks and other financial institutions	12	144,879	117,731
Precious metals		71,540	31,136
Placements with banks and other financial institutions	13	162,928	186,456
Derivative financial assets	14	24,132	30,283
Financial assets held under resale agreements	15	34,808	76,958
Loans and advances to customers	16	4,413,765	4,396,036
Financial investments:	17		
– Financial assets at fair value through profit or loss		375,135	377,457
– Financial assets measured at amortised cost		1,385,594	1,480,798
– Financial assets at fair value through other comprehensive income		588,137	540,447
Long-term receivables	18	104,677	112,382
Property and equipment	19	57,586	59,347
Right-of-use assets	20(1)	11,966	12,650
Deferred income tax assets	21	58,150	58,149
Other assets	23	50,441	49,690
Total assets		7,768,921	7,814,969
LIABILITIES			
Borrowings from central bank		250,488	261,108
Deposits and placements from banks and other financial institutions	25	804,054	1,073,706
Financial liabilities at fair value through profit or loss	26	68,644	43,228
Borrowings from banks and other financial institutions	27	108,503	111,993
Derivative financial liabilities	14	31,443	34,073
Financial assets sold under repurchase agreements	28	252,452	248,124
Deposits from customers	29	4,382,087	4,332,681
Lease liabilities	20(2)	8,614	9,078
Provisions	30	1,613	1,730
Debt securities issued	31	1,049,973	941,025
Current income tax liabilities		4,890	4,548
Deferred income tax liabilities	21	239	243
Other liabilities	32	103,609	96,864
Total liabilities		7,066,609	7,158,401

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2025 (continued)
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	30 June 2025 (unaudited)	31 December 2024 (audited)
EQUITY			
Share capital	33	43,782	43,782
Other equity instrument		125,000	95,000
Including: Preference shares	34	20,000	20,000
Perpetual bonds	35	105,000	75,000
Reserves			
Capital reserve	33	58,087	58,087
Surplus reserve	37	61,888	61,888
General reserve	37	99,429	99,279
Other reserves	40	5,705	7,192
Retained earnings	37	294,653	277,631
Total equity attributable to equity holders of the Bank		688,544	642,859
Non-controlling interests	38	13,768	13,709
Total equity		702,312	656,568
Total liabilities and equity		7,768,921	7,814,969

The accompanying notes form an integral part of this interim financial information.

Approved and authorised for issue by the Board of Directors on 29 August 2025.

Gao Yingxin
Chairman

Wang Xiaoyong
President

Wen Qiuju
Director

 (Company Seal)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2025

(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited		Attributable to equity shareholders of the Bank											
		Reserves								Retained earnings	Total	Non-controlling interests	Total equity
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve				
Note 4		33	34&35	33	37	37	40	40	40	37		38	
At 31 December 2024		43,782	95,000	58,087	61,888	99,279	6,602	602	(12)	277,631	642,859	13,709	656,568
(I)	Net profit	-	-	-	-	-	-	-	-	21,380	21,380	96	21,476
(II)	Other comprehensive income, net of tax	-	-	-	-	-	(1,447)	(63)	32	-	(1,478)	(18)	(1,496)
Total comprehensive income		-	-	-	-	-	(1,447)	(63)	32	21,380	19,902	78	19,980
(III)	Capital injection and deduction by equity holders												
1.	Capital injection by other equity instrument holders	-	30,000	(2)	-	-	-	-	-	-	29,998	-	29,998
(IV)	Profit distribution												
1.	Appropriation to general reserve	-	-	-	-	149	-	-	-	(149)	-	-	-
2.	Cash dividends	-	-	-	-	-	-	-	-	(2,714)	(2,714)	(14)	(2,728)
3.	Perpetual bond interest	-	-	-	-	-	-	-	-	(1,500)	(1,500)	-	(1,500)
(V)	Transfers within the owners' equity												
1.	Other comprehensive income transferred to retained earnings	-	-	-	-	-	(9)	-	-	9	-	-	-
(VI)	Others												
1.	Equity transaction with minority shareholders	-	-	2	-	1	-	-	-	(4)	(1)	(5)	(6)
At 30 June 2025		43,782	125,000	58,087	61,888	99,429	5,146	539	20	294,653	688,544	13,768	702,312

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2025 (continued)
(Expressed in millions of Renminbi, unless otherwise stated)

Unaudited		Attributable to equity shareholders of the Bank											
		Reserves								Retained earnings	Total	Non-controlling interests	Total equity
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve				
Note 4		33	34&35	33	37	37	40	40	40	37		38	
At 31 December 2023		43,782	95,000	58,111	58,805	95,237	1,507	532	(17)	271,645	624,602	13,199	637,801
(I)	Net profit	-	-	-	-	-	-	-	-	22,474	22,474	235	22,709
(II)	Other comprehensive income, net of tax	-	-	-	-	-	1,920	25	23	-	1,968	68	2,036
Total comprehensive income		-	-	-	-	-	1,920	25	23	22,474	24,442	303	24,745
(III)	Capital injection and deduction by equity holders												
1.	Capital deduction by other equity instrument holders	-	(40,000)	-	-	-	-	-	-	-	(40,000)	-	(40,000)
(IV)	Profit distribution												
1.	Appropriation to general reserve	-	-	-	-	154	-	-	-	(154)	-	-	-
2.	Cash dividends	-	-	-	-	-	-	-	-	(9,457)	(9,457)	(1)	(9,458)
3.	Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(V)	Transfers within the owners' equity												
1.	Other comprehensive income transferred to retained earnings	-	-	-	-	-	2	-	-	(2)	-	-	-
(VI)	Others												
1.	Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(6)	(6)	-	(6)
At 30 June 2024		43,782	55,000	58,111	58,805	95,391	3,429	557	6	281,060	596,141	13,501	609,642

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2025 (continued)
(Expressed in millions of Renminbi, unless otherwise stated)

Audited	Attributable to equity shareholders of the Bank											
	Reserves									Total	Non-controlling interests	Total equity
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings			
Note 4	33	34&35	33	37	37	40	40	40	37		38	
At 31 December 2023	43,782	95,000	58,111	58,805	95,237	1,507	532	(17)	271,645	624,602	13,199	637,801
(I) Net profit	-	-	-	-	-	-	-	-	32,296	32,296	426	32,722
(II) Other comprehensive income, net of tax	-	-	-	-	-	5,090	70	5	-	5,165	86	5,251
Total comprehensive income	-	-	-	-	-	5,090	70	5	32,296	37,461	512	37,973
(III) Profit distribution												
1. Appropriation to surplus reserve	-	-	-	3,083	-	-	-	-	(3,083)	-	-	-
2. Appropriation to general reserve	-	-	-	-	4,042	-	-	-	(4,042)	-	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(16,032)	(16,032)	(14)	(16,046)
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(IV) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	5	-	-	(5)	-	-	-
(V) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(2)	(2)	(1)	(3)
2. Equity transaction with minority shareholders	-	-	(15)	-	-	-	-	-	-	(15)	-	(15)
3. Equity reclassification of equity transactions with minority shareholders	-	-	(5)	-	-	-	-	-	300	295	13	308
4. Others	-	-	(4)	-	-	-	-	-	(6)	(10)	-	(10)
At 31 December 2024	43,782	95,000	58,087	61,888	99,279	6,602	602	(12)	277,631	642,859	13,709	656,568

The accompanying notes form an integral part of this interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2025

(Expressed in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2025 (unaudited)	2024 (unaudited)
Cash flows from operating activities:		
Profit before income tax	22,794	23,476
<i>Adjustments for:</i>		
– Credit impairment losses	26,039	20,551
– Other impairment losses	346	109
– Depreciation and amortisation	4,161	4,395
– Gains on disposal of property and equipment	(159)	(327)
– (Gains)/Losses from changes in fair value	(1,625)	4,430
– Net gains on disposal of investment securities	(6,605)	(5,065)
– Interest expense on debt securities issued	10,123	9,362
– Interest expense on lease liabilities	130	168
– Interest income from financial investments	(27,307)	(28,396)
Subtotal	27,897	28,703
Changes in operating assets:		
Net decrease in balances with central bank, banks and other financial institutions	18,705	38,219
Net increase in placements with banks and other financial institutions	(8,529)	(2,185)
Net decrease in financial assets held under resale agreements	42,150	14,608
Net increase in loans and advances to customers	(39,249)	(55,966)
Net increase in financial assets held for trading purposes	(20,553)	(11,087)
Net increase in other operating assets	(38,069)	(5,441)
Subtotal	(45,545)	(21,852)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2025 (continued)
(Expressed in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2025	2024
	(unaudited)	(unaudited)
Cash flows from operating activities: (continued)		
<i>Changes in operating liabilities:</i>		
Net decrease in borrowings from central bank	(11,354)	(31,317)
Net increase/(decrease) in deposits from customers	61,907	(218,271)
Net decrease in deposits and placements from banks and other financial institutions	(268,160)	(59,626)
Net increase/(decrease) in financial assets sold under repurchase agreements	4,420	(14,745)
Income tax paid	(476)	(2,680)
Net increase in other operating liabilities	12,268	35,945
Subtotal	(201,395)	(290,694)
Net cash used in from operating activities	(219,043)	(283,843)
Cash flows from investing activities:		
Proceeds from sale and redemption of investments and investment income	1,597,954	1,136,478
Cash paid for acquisition of non-controlling interests shares in subsidiaries	(6)	—
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	2,750	1,922
Cash payment for investments	(1,491,539)	(1,099,682)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets	(1,642)	(4,359)
Net cash generated from investing activities	107,517	34,359

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2025 (continued)
(Expressed in millions of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Note 4	2025	2024
		(unaudited)	(unaudited)
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		30,000	–
Proceeds from issue of debt securities		715,531	780,546
Payments for redemption of other equity instruments		–	(40,000)
Repayment of debt securities issued		(615,507)	(606,378)
Subsidiaries shares repurchased		–	(6)
Interest paid on perpetual bonds		(1,500)	(3,440)
Dividends paid and interest paid on debt securities issued		(1,731)	(4,013)
Cash payment in other financing activities		(1,603)	(1,704)
Net cash generated from financing activities		125,190	125,005
Effect of exchange rate changes on cash and cash equivalents		112	181
Net increase/(decrease) in cash and cash equivalents		13,776	(124,298)
Cash and cash equivalents at 1 January		184,990	237,336
Cash and cash equivalents at 30 June	41	198,766	113,038

The accompanying notes form an integral part of this interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(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 “CBIRC”) (In 2023, the regulator was renamed as the National Financial Regulation Administration, The “NFRA”), and the business license as approved by the Beijing Municipal Market Regulation Administration, 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 2025, 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. Abroad of China refers to Hong Kong, Macau, Taiwan and other countries. Overseas refers to areas of other countries and regions, outside mainland China, Hong Kong, Macau, and Taiwan.

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 2025, the Bank had 43 tier-one branches and 33 subsidiaries (including 29 rural banks and 4 affiliated institutions).

2 BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2025 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 unaudited interim financial information for the six months ended 30 June 2025 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 judgments 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 2024.

The interim financial information should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2024.

3 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 Standards and amendments effective in 2025 relevant to and adopted by the Group

In the current reporting period, the Group has adopted the following IFRS Accounting Standards and amendments issued by the International Accounting Standards Board (“IASB”), that are mandatorily effective for the current reporting period.

<u>Standards/Amendments</u>		<u>Effective date</u>
Amendments to IAS 21	Lack of Exchangeability	1 January 2025

The adoption of the above amendments do not have significant impacts on the condensed consolidated financial statements of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

<u>Standards/Amendments</u>		<u>Effective date</u>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments as originally issued had an effective date of annual periods beginning on or after 1 January 2016. Now the effective date has been deferred indefinitely, but early application is permitted.
Amendment to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
Amendment to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Volume 11	Annual Improvements to IFRS Accounting Standards	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability Disclosure	1 January 2027

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4.1 Net interest income

	Six months ended 30 June	
	2025	2024
Interest income arising from:		
Loans and advances to customers	78,305	89,312
Including: Corporate loans and advances	41,395	46,517
Personal loans and advances	36,018	40,781
Discounted bills	892	2,014
Financial investments	27,307	28,396
Including: Financial assets measured at amortised cost	20,207	22,574
Financial assets at fair value through other comprehensive income	7,100	5,822
Long-term receivables	2,988	3,438
Placements with banks and other financial institutions	2,389	3,095
Balances with central bank	1,929	2,212
Financial assets held under resale agreements	312	718
Balances with banks and other financial institutions	750	792
Subtotal	113,980	127,963
Interest expense arising from:		
Deposits from customers	(39,015)	(46,447)
Deposits and placements from banks and other financial institutions	(8,618)	(15,504)
Debt securities issued	(10,123)	(9,362)
Borrowings from central bank	(2,437)	(3,859)
Borrowings from banks and other financial institutions	(1,870)	(2,499)
Financial assets sold under repurchase agreements	(2,584)	(1,542)
Lease liabilities	(130)	(168)
Subtotal	(64,777)	(79,381)
Net interest income	49,203	48,582
Of which:		
Interest income from impaired loans and advances to customers	796	768

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.2 Net fee and commission income

	Six months ended 30 June	
	2025	2024
Fee and commission income from		
Bank card services	4,832	5,217
Agency services	1,645	2,299
Custodian and other fiduciary services	2,025	1,739
Settlement and clearance services	1,433	1,019
Credit commitments	556	546
Others	734	638
Subtotal	11,225	11,458
Fee and commission expense	(1,540)	(1,813)
Net fee and commission income	<u>9,685</u>	<u>9,645</u>

4.3 Net trading gain

	Six months ended 30 June	
	2025	2024
Net gains from interest rate products	1,231	3,090
Net gains/(losses) from foreign-exchange and foreign exchange products	227	(124)
Others	745	1,035
Total	<u>2,203</u>	<u>4,001</u>

4.4 Net gain from investment securities

	Six months ended 30 June	
	2025	2024
Financial instruments at fair value through profit or loss	3,532	(1,857)
Financial assets at fair value through other comprehensive income	2,579	2,687
Financial assets measured at amortised cost	2,772	1,024
Total	<u>8,883</u>	<u>1,854</u>

4.5 Net other operating income

	Six months ended 30 June	
	2025	2024
Operating leases income	1,606	2,138
Government subsidies	335	216
Others	(1,214)	(847)
Total	<u>727</u>	<u>1,507</u>

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.6 Operating expenses

	Six months ended 30 June	
	2025	2024
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	10,881	10,750
– Post-employment benefits-defined contribution plan	1,548	1,493
Depreciation and amortisation	3,460	3,343
Short-term lease expenses, low-value lease expenses and property management expenses	472	424
Tax and surcharges		
– Urban Maintenance Construction Tax	394	401
– Educational fee surcharge	172	178
– Other	299	303
Office expenses, business expenses and others	4,296	4,561
Total	21,522	21,453

4.7 Credit impairment losses

	Six months ended 30 June	
	2025	2024
Loans and advances to customers	23,452	18,123
Financial assets measured at amortised cost	1,534	1,787
Financial assets at fair value through other comprehensive income	307	(78)
Long-term receivables	540	512
Others	206	207
Total	26,039	20,551

4.8 Other impairment losses

	Six months ended 30 June	
	2025	2024
Foreclosed assets	341	135
Others	5	(26)
Total	346	109

4.9 Income tax expense

	Six months ended 30 June	
	2025	2024
Current income tax for the period	819	4,477
Deferred income tax (Note 4.21)	499	(3,710)
Total	1,318	767

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

	Six months ended 30 June	
	2025	2024
Profit before income tax	22,794	23,476
Income tax at the tax rate of 25%	5,699	5,869
Effect of non-taxable income (a)	(4,698)	(4,694)
Effect of non-deductible expenses (b)	440	352
Effect of interest expense on perpetual debt	(375)	(860)
Settlement variance and others	252	100
Income tax expense	1,318	767

- (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.

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

The Group is within the scope of the Pillar Two rules. Some members of our group are involved in the legislation of Pillar 2 regulations in their jurisdiction, which will take effect from 2025. The Group is currently analysing the potential impact of Pillar Two.

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

The Bank issued non-cumulative preference shares and perpetual bonds in 2019, 2021, 2022, 2024 and 2025 respectively under the terms and conditions as detailed in Note 4.34 Preference Shares and Note 4.35 Perpetual Bonds.

The conversion feature of the preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2025 and 31 December 2024, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation for the six months ended 30 June 2025 and for the six months ended 30 June 2024.

	Six months ended 30 June	
	2025	2024
Profit for the period attributable to equity holders of the Bank	21,380	22,474
Less: profit for the period attributable to other equity instrument holders of the Bank	(1,500)	(3,440)
Net profit attributable to ordinary equity holders of the Bank	19,880	19,034
Weighted average number of ordinary shares in issue (in millions)	43,782	43,782
Basic/Diluted earnings per share (in RMB Yuan)	0.45	0.43

4.11 Cash and balances with central bank

	30 June 2025	31 December 2024
Cash	4,979	5,260
Balances with central bank		
Mandatory reserve deposits	224,800	241,643
Surplus reserve deposits	54,388	37,561
Fiscal deposits and others	914	864
Subtotal	280,102	280,068
Interest accrued	102	121
Total	285,183	285,449

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.11 Cash and balances with central bank (continued)

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

As at 30 June 2025 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 5.5% (31 December 2024: 6.0%) and the reserve rate for foreign currency deposits is 4.0% (31 December 2024: 4.0%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

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

4.12 Balances with banks and other financial institutions

	30 June 2025	31 December 2024
China mainland		
– Banks	105,945	82,973
– Other financial institutions	10,797	7,624
Subtotal	116,742	90,597
Overseas		
– Banks	26,461	25,766
– Other financial institutions	1,574	1,260
Subtotal	28,035	27,026
Interest accrued	110	110
Less: allowance for impairment losses	(8)	(2)
Total	144,879	117,731

For the six months ended 30 June 2025 and for the year ended 31 December 2024, there was no transfer of the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages.

4.13 Placements with banks and other financial institutions

	30 June 2025	31 December 2024
China mainland		
– Banks	640	5,534
– Other financial institutions	127,648	122,702
Subtotal	128,288	128,236
Overseas		
– Banks	31,414	55,732
– Other financial institutions	4,465	3,506
Subtotal	35,879	59,238
Interest accrued	410	467
Less: allowance for impairment losses	(1,649)	(1,485)
Total	162,928	186,456

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

	Six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	(292)	–	(1,193)	(1,485)
Net charge	(164)	–	–	(164)
Balance as at 30 June 2025	(456)	–	(1,193)	(1,649)
	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(537)	–	(976)	(1,513)
Net reversal/(charge)	250	–	(217)	33
Others	(5)	–	–	(5)
Balance as at 31 December 2024	(292)	–	(1,193)	(1,485)

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.

4.14 Derivatives (continued)

(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 2025		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	4,657,566	20,374	(20,167)
Interest rate derivatives	2,954,690	1,362	(1,093)
Precious metal derivatives	100,223	2,356	(10,181)
Others	2,369	40	(2)
Total		<u>24,132</u>	<u>(31,443)</u>
31 December 2024			
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	3,259,181	26,568	(25,530)
Interest rate derivatives	2,417,938	1,844	(687)
Precious metal derivatives	74,984	1,839	(7,856)
Others	1,941	32	–
Total		<u>30,283</u>	<u>(34,073)</u>

(2) *Hedges*

30 June 2025				
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	30,433	82	(121)
Fair value hedges				
– Interest Rate swap contracts	(b)	56,213	116	(352)
Total			<u>198</u>	<u>(473)</u>
31 December 2024				
		Notional amount	Fair value	
			Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	17,517	24	(235)
Fair value hedges				
– Interest rate swap contracts	(b)	59,147	379	(127)
Total			<u>403</u>	<u>(362)</u>

4.14 Derivatives (continued)

(2) Hedges (continued)

- (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 2025 and for the six months ended 30 June 2024, the accumulative profits or losses recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments were insignificant.
- (b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the six months ended 30 June 2025 and for the six months ended 30 June 2024, the fair value changes of hedging instruments and the net gains or losses arising from the hedged risk relating to the hedged items, which were the ineffective part of fair value hedging recognised in fair value changes, were insignificant.

4.15 Financial assets held under resale agreements

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

	30 June 2025	31 December 2024
Bonds	34,388	76,538
Others	435	435
Subtotal	34,823	76,973
Interest accrued	31	32
Less: allowance for impairment losses	(46)	(47)
Total	34,808	76,958

For the six months ended 30 June 2025 and for the year ended 31 December 2024, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

4.16 Loans and advances to customers

	30 June 2025	31 December 2024
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	2,583,590	2,447,412
Personal loans and advances		
– Micro lending (a)	620,898	643,014
– Residential mortgage	579,555	559,218
– Credit cards	449,902	477,247
– Others	92,280	91,080
Gross balance	1,742,635	1,770,559
Less: allowance for impairment losses	(95,115)	(92,404)
Subtotal	4,231,110	4,125,567
Measured at fair value through other comprehensive income:		
Corporate loans and advances		
– Corporate loans	24,509	13,500
– Discounted bills	119,140	219,009
Subtotal	143,649	232,509
Interest accrued	39,006	37,960
Total	4,413,765	4,396,036

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

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

	30 June 2025		31 December 2024	
	Amount	(%)	Amount	(%)
Unsecured loans	1,417,558	31.71	1,351,269	30.36
Guaranteed loans	912,083	20.41	838,572	18.84
Loans secured by				
– Tangible assets other than monetary assets	1,759,838	39.37	1,759,337	39.53
– Monetary assets	380,395	8.51	501,302	11.27
Total	4,469,874	100.00	4,450,480	100.00

4.16 Loans and advances to customers (continued)

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

	30 June 2025				Total
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured loans	15,177	11,186	7,915	1,930	36,208
Guaranteed loans	750	7,145	5,186	2,180	15,261
Loans secured by					
– Tangible assets other than monetary assets	8,191	14,704	11,823	2,902	37,620
– Monetary assets	1,874	5,292	1,313	499	8,978
Total	<u>25,992</u>	<u>38,327</u>	<u>26,237</u>	<u>7,511</u>	<u>98,067</u>
% of total loans and advances to customers	<u>0.58</u>	<u>0.86</u>	<u>0.58</u>	<u>0.17</u>	<u>2.19</u>
	31 December 2024				Total
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured loans	11,596	10,840	6,652	1,971	31,059
Guaranteed loans	3,230	4,922	5,109	1,043	14,304
Loans secured by					
– Tangible assets other than monetary assets	10,021	12,815	17,478	2,156	42,470
– Monetary assets	2,719	1,214	689	504	5,126
Total	<u>27,566</u>	<u>29,791</u>	<u>29,928</u>	<u>5,674</u>	<u>92,959</u>
% of total loans and advances to customers	<u>0.62</u>	<u>0.67</u>	<u>0.67</u>	<u>0.13</u>	<u>2.09</u>

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

4.16 Loans and advances to customers (continued)

(3) *Movements in allowance for impairment losses*

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

	Six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	(26,369)	(23,025)	(43,010)	(92,404)
Transfer:				
to stage 1	(1,775)	1,485	290	–
to stage 2	486	(581)	95	–
to stage 3	136	3,380	(3,516)	–
Net reversal/(charge)	1,917	(5,791)	(19,650)	(23,524)
Write-offs and transfer out	–	–	23,834	23,834
Recoveries of amounts previously written-off	–	–	(3,857)	(3,857)
Others	(6)	(3)	845	836
Balance as at 30 June 2025	<u>(25,611)</u>	<u>(24,535)</u>	<u>(44,969)</u>	<u>(95,115)</u>
	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(26,033)	(25,422)	(45,338)	(96,793)
Transfer:				
to stage 1	(2,620)	2,334	286	–
to stage 2	639	(829)	190	–
to stage 3	343	4,071	(4,414)	–
Net reversal/(charge)	1,308	(3,177)	(37,109)	(38,978)
Write-offs and transfer out	–	–	51,183	51,183
Recoveries of amounts previously written-off	–	–	(8,844)	(8,844)
Others	(6)	(2)	1,036	1,028
Balance as at 31 December 2024	<u>(26,369)</u>	<u>(23,025)</u>	<u>(43,010)</u>	<u>(92,404)</u>

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.16 Loans and advances to customers (continued)

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

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

	Six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	(274)	(1)	(450)	(725)
Net reversal/(charge)	30	(6)	48	72
Recoveries of amounts previously written-off	—	—	(48)	(48)
Balance as at 30 June 2025	<u>(244)</u>	<u>(7)</u>	<u>(450)</u>	<u>(701)</u>
	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(199)	(2)	(450)	(651)
Net (charge)/reversal	(75)	1	46	(28)
Recoveries of amounts previously written-off	—	—	(46)	(46)
Balance as at 31 December 2024	<u>(274)</u>	<u>(1)</u>	<u>(450)</u>	<u>(725)</u>

4.17 Financial investments

		30 June 2025	31 December 2024
Financial assets at fair value through profit or loss	(1)	375,135	377,457
Financial assets measured at amortised cost	(2)	1,385,594	1,480,798
Financial assets at fair value through other comprehensive income	(3)	588,137	540,447
Total		<u>2,348,866</u>	<u>2,398,702</u>

4.17 Financial investments (continued)

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

		30 June 2025	31 December 2024
Held for trading purpose			
Debt securities			
Government		42,886	14,782
Policy banks		84,190	51,789
Banks and non-bank financial institutions		11,604	49,428
Corporates		30,401	32,841
Subtotal		169,081	148,840
Equity investments		486	1,655
Investment funds	(a)	2,676	2,314
Subtotal		172,243	152,809
Other financial assets at fair value through profit or loss			
Debt securities			
Banks and non-bank financial institutions		3,408	16,693
Corporates		1,324	10,678
Equity investments		21,584	15,581
Investment funds	(a)	150,081	159,584
Trust and asset management plans	(b)	20,842	18,254
Others		5,653	3,858
Subtotal		202,892	224,648
Total		375,135	377,457
Listed		170,538	175,678
– Of which: listed in Hong Kong		3,622	5,642
Unlisted		204,597	201,779
Total		375,135	377,457

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

- (a) As at 30 June 2025 and 31 December 2024, the underlying investment funds primarily include public bond funds and public money market funds.
- (b) As at 30 June 2025 and 31 December 2024, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (7)).

4.17 Financial investments (continued)

(2) Financial assets measured at amortised cost

	30 June 2025	31 December 2024
Debt securities		
Government	1,100,541	1,155,464
Policy banks	63,162	73,798
Banking and non-banking financial institutions	58,091	65,452
Corporates	116,554	134,681
Subtotal	1,338,348	1,429,395
Trust and asset management plans (a)	30,051	32,210
Debt financing plans	8,522	8,525
Others	2,657	2,973
Interest accrued	16,348	19,143
Less: allowance for impairment losses	(10,332)	(11,448)
Total	1,385,594	1,480,798
Listed	1,319,159	1,411,178
– Of which: listed in Hong Kong	8,023	8,632
Unlisted	60,419	61,925
Interest accrued	16,348	19,143
Less: allowance for impairment losses	(10,332)	(11,448)
Total	1,385,594	1,480,798

(a) As at 30 June 2025 and 31 December 2024, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2(7)).

4.17 Financial investments (continued)

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

(b) Movements in allowance for impairment losses

	Six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	(1,467)	(401)	(9,580)	(11,448)
Transfer				
to stage 2	–	(126)	126	–
to stage 3	39	–	(39)	–
Net reversal/(charge)	296	69	(1,899)	(1,534)
Write-offs and transfer out	–	–	2,381	2,381
Recoveries of amounts previously written-off	–	–	(137)	(137)
Others	(1)	–	407	406
Balance as at 30 June 2025	<u>(1,133)</u>	<u>(458)</u>	<u>(8,741)</u>	<u>(10,332)</u>
	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(2,016)	(340)	(7,854)	(10,210)
Transfer				
to stage 2	53	(330)	277	–
to stage 3	10	557	(567)	–
Net reversal/(charge)	514	(288)	(4,691)	(4,465)
Write-offs and transfer out	–	–	2,665	2,665
Recoveries of amounts previously written-off	–	–	(201)	(201)
Others	(28)	–	791	763
Balance as at 31 December 2024	<u>(1,467)</u>	<u>(401)</u>	<u>(9,580)</u>	<u>(11,448)</u>

4.17 Financial investments (continued)

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

	30 June 2025	31 December 2024
Debt securities		
Government	201,287	191,141
Policy banks	48,290	33,808
Banks and non-bank financial institutions	190,269	173,067
Corporates	135,010	129,421
Subtotal	574,856	527,437
Equity investments	7,819	7,512
Interest accrued	5,462	5,498
Total	588,137	540,447
Listed	536,292	515,730
– Of which: listed in Hong Kong	19,606	23,713
Unlisted	46,383	19,219
Interest accrued	5,462	5,498
Total	588,137	540,447

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 2025, dividend income of RMB0.25 million (for the six months ended 30 June 2024: RMB0.22 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 2025 (for the six months ended 30 June 2024: insignificant).

4.17 Financial investments (continued)

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

A. Fair value

	30 June 2025	31 December 2024
Debt securities		
Cost	579,951	530,931
Cumulative amount of change in fair value that is accrued to other comprehensive income	367	2,004
Fair value	580,318	532,935
Equity investment		
Cost	4,288	4,280
Cumulative amount of change in fair value that is accrued to other comprehensive income	3,531	3,232
Fair value	7,819	7,512
Total	588,137	540,447

B. Movements in allowance for impairment losses

	Six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	(892)	(11)	(1,546)	(2,449)
Net reversal/(charge)	16	(11)	(312)	(307)
Write-offs and transfer out	–	–	121	121
Others	(70)	–	–	(70)
Balance as at 30 June 2025	(946)	(22)	(1,737)	(2,705)
	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(777)	(66)	(1,333)	(2,176)
Transfer:				
to stage 2	3	(3)	–	–
to stage 3	–	56	(56)	–
Net (charge)/reversal	(219)	2	(157)	(374)
Write-offs and transfer out	–	–	–	–
Others	101	–	–	101
Balance as at 31 December 2024	(892)	(11)	(1,546)	(2,449)

As at 30 June 2025, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB954 million (31 December 2024: RMB1,214 million), with allowance for impairment losses of RMB1,737 million (31 December 2024: RMB1,546 million).

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.18 Long-term receivables

	30 June 2025	31 December 2024
Finance lease receivables	23,259	24,852
Sales and leaseback receivables	97,477	104,619
Less: unearned finance lease income	(13,297)	(14,227)
Present value of minimum finance lease receivables	107,439	115,244
Less: allowance for impairment losses	(2,762)	(2,862)
Total	104,677	112,382

(1) *Finance lease receivables are analysed by the remaining terms as follows:*

		30 June 2025	31 December 2024
Indefinite	(a)	8,861	8,462
Less than 1 year		52,407	55,186
1 year to 2 years		25,652	33,758
2 years to 3 years		11,402	16,662
3 years to 5 years		9,167	7,922
More than 5 years		13,247	7,481
Total		120,736	129,471

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

4.18 Long-term receivables (continued)

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

	Six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	(675)	(413)	(1,774)	(2,862)
Transfer:				
to stage 1	(63)	50	13	–
to stage 2	22	(25)	3	–
to stage 3	18	98	(116)	–
Net reversal/(charge)	99	(116)	(523)	(540)
Write-offs and transfer out	–	–	912	912
Recoveries of amounts previously written-off	–	–	(274)	(274)
Others	2	–	–	2
Balance as at 30 June 2025	<u>(597)</u>	<u>(406)</u>	<u>(1,759)</u>	<u>(2,762)</u>
	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(707)	(436)	(1,636)	(2,779)
Transfer:				
to stage 1	(2)	1	1	–
to stage 2	193	(196)	3	–
to stage 3	315	250	(565)	–
Net charge	(477)	(31)	(590)	(1,098)
Write-offs and transfer out	–	–	1,186	1,186
Recoveries of amounts previously written-off	–	–	(169)	(169)
Others	3	(1)	(4)	(2)
Balance as at 31 December 2024	<u>(675)</u>	<u>(413)</u>	<u>(1,774)</u>	<u>(2,862)</u>

4.19 Property and equipment

	30 June 2025						31 December 2024
Property and equipment	57,574						59,345
Property and equipment to be disposed	12						2
Total	57,586						59,347
	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 2025	25,034	3,995	10,680	445	43,246	7,186	90,586
Increase	–	107	112	1	452	324	996
Decrease and other movement	(23)	(470)	(304)	(7)	(935)	(155)	(1,894)
Balance as at 30 June 2025	25,011	3,632	10,488	439	42,763	7,355	89,688
Accumulated depreciation							
Balance as at 1 January 2025	(7,923)	(2,731)	(7,686)	(376)	(11,587)	–	(30,303)
Increase	(413)	(257)	(451)	(10)	(701)	–	(1,832)
Decrease and other movement	12	433	295	6	214	–	960
Balance as at 30 June 2025	(8,324)	(2,555)	(7,842)	(380)	(12,074)	–	(31,175)
Impairment losses							
Balance as at 1 January 2025	–	–	(1)	–	(518)	(419)	(938)
Increase	–	–	–	–	(3)	–	(3)
Decrease and other movement	–	–	–	–	1	1	2
Balance as at 30 June 2025	–	–	(1)	–	(520)	(418)	(939)
Carrying amount							
Balance as at 1 January 2025	17,111	1,264	2,993	69	31,141	6,767	59,345
Balance as at 30 June 2025	16,687	1,077	2,645	59	30,169	6,937	57,574

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 2024	23,345	3,921	10,172	470	44,602	7,885	90,395
Increase	232	569	1,116	7	4,047	1,029	7,000
CIP transfers	1,630	–	–	–	–	(1,728)	(98)
Decrease and other movement	(173)	(495)	(608)	(32)	(5,403)	–	(6,711)
Balance as at 31 December 2024	<u>25,034</u>	<u>3,995</u>	<u>10,680</u>	<u>445</u>	<u>43,246</u>	<u>7,186</u>	<u>90,586</u>
Accumulated depreciation							
Balance as at 1 January 2024	(7,195)	(2,629)	(7,316)	(382)	(11,453)	–	(28,975)
Increase	(792)	(570)	(931)	(23)	(1,866)	–	(4,182)
Decrease and other movement	64	468	561	29	1,732	–	2,854
Balance as at 31 December 2024	<u>(7,923)</u>	<u>(2,731)</u>	<u>(7,686)</u>	<u>(376)</u>	<u>(11,587)</u>	<u>–</u>	<u>(30,303)</u>
Impairment losses							
Balance as at 1 January 2024	–	–	–	–	(523)	(413)	(936)
Increase	–	–	(1)	–	(18)	–	(19)
Decrease and other movement	–	–	–	–	23	(6)	17
Balance as at 31 December 2024	<u>–</u>	<u>–</u>	<u>(1)</u>	<u>–</u>	<u>(518)</u>	<u>(419)</u>	<u>(938)</u>
Carrying amount							
Balance as at 1 January 2024	<u>16,150</u>	<u>1,292</u>	<u>2,856</u>	<u>88</u>	<u>32,626</u>	<u>7,472</u>	<u>60,484</u>
Balance as at 31 December 2024	<u>17,111</u>	<u>1,264</u>	<u>2,993</u>	<u>69</u>	<u>31,141</u>	<u>6,767</u>	<u>59,345</u>

As at 30 June 2025 and 31 December 2024, 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 2025, there were still certain properties and buildings, with a carrying value of RMB296 million (31 December 2024: RMB306 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

4.20 Lease contract

(1) Right-of-use assets

	Buildings	Transportation facilities	Office equipment and others	Land use rights	Total
Original cost					
Balance as at 1 January 2025	18,998	3	90	4,688	23,779
Increase	1,297	–	8	32	1,337
Decrease	(2,159)	–	(1)	(152)	(2,312)
Balance as at 30 June 2025	18,136	3	97	4,568	22,804
Accumulated depreciation/amortisation					
Balance as at 1 January 2025	(9,475)	(1)	(32)	(1,621)	(11,129)
Increase	(1,437)	–	(7)	(66)	(1,510)
Decrease	1,757	–	1	43	1,801
Balance as at 30 June 2025	(9,155)	(1)	(38)	(1,644)	(10,838)
Carrying amount					
Balance as at 1 January 2025	9,523	2	58	3,067	12,650
Balance as at 30 June 2025	8,981	2	59	2,924	11,966
	Buildings	Transportation facilities	Office equipment and others	Land use rights	Total
Original cost					
Balance as at 1 January 2024	19,158	–	95	4,646	23,899
Increase	2,938	3	7	70	3,018
Decrease	(3,098)	–	(12)	(28)	(3,138)
Balance as at 31 December 2024	18,998	3	90	4,688	23,779
Accumulated depreciation/amortisation					
Balance as at 1 January 2024	(9,081)	–	(28)	(1,511)	(10,620)
Increase	(2,933)	(1)	(13)	(110)	(3,057)
Decrease	2,539	–	9	–	2,548
Balance as at 31 December 2024	(9,475)	(1)	(32)	(1,621)	(11,129)
Carrying amount					
Balance as at 1 January 2024	10,077	–	67	3,135	13,279
Balance as at 31 December 2024	9,523	2	58	3,067	12,650

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.20 Lease contract (continued)

(2) Lease liabilities

	30 June 2025	31 December 2024
Lease liabilities	8,614	9,078

As at 30 June 2025, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB130 million (31 December 2024: RMB113 million).

4.21 Deferred income tax assets and liabilities

(1) Deferred income tax items

	30 June 2025	31 December 2024
Deferred income tax assets	58,150	58,149
Deferred income tax liabilities	(239)	(243)
Total	57,911	57,906

4.21 Deferred income tax assets and liabilities (continued)

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

	30 June 2025		31 December 2024	
	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	58,958	235,831	57,461	229,864
Employee benefits payable	2,460	9,841	3,380	13,518
Fair value losses of derivatives	7,736	30,945	8,424	33,697
Fair value losses of financial assets at fair value through other comprehensive loss	17	70	44	178
Financial assets at fair value through profit or loss	1,388	5,554	2,566	10,263
Lease liabilities	2,152	8,608	2,259	9,084
Others	323	1,292	330	1,324
Subtotal	73,034	292,141	74,464	297,928
Deferred income tax liabilities				
Fair value gains of derivatives	(5,962)	(23,846)	(7,448)	(29,794)
Fair value gain of financial assets at fair value through other comprehensive income	(1,741)	(6,964)	(2,272)	(9,094)
Financial assets at fair value through profit or income	(4,918)	(19,672)	(4,246)	(17,054)
Right-of-use assets	(2,310)	(9,240)	(2,385)	(9,589)
Others	(192)	(768)	(207)	(776)
Subtotal	(15,123)	(60,490)	(16,558)	(66,307)
Deferred income tax assets, net	57,911	231,651	57,906	231,621

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 2025	57,461	11,034	5,969	74,464	(16,558)
Recognised in profit or loss	1,497	(1,866)	(1,034)	(1,403)	904
Recognised in other comprehensive income	–	(27)	–	(27)	531
Balance as at 30 June 2025	<u>58,958</u>	<u>9,141</u>	<u>4,935</u>	<u>73,034</u>	<u>(15,123)</u>
Balance as at 1 January 2024	50,886	9,578	6,944	67,408	(13,030)
Recognised in profit or loss	6,575	1,684	(975)	7,284	(2,176)
Recognised in other comprehensive income	–	(228)	–	(228)	(1,352)
Balance as at 31 December 2024	<u>57,461</u>	<u>11,034</u>	<u>5,969</u>	<u>74,464</u>	<u>(16,558)</u>

4.22 Investment in subsidiaries

(1) Directly held subsidiaries

	30 June 2025	31 December 2024
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
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")	27	25
Meihekou Rural Bank Co., Ltd. ("Meihekou Rural Bank")	188	184
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
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	52	52
Taichang Rural Bank Co., Ltd. ("Taichang 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")	45	45
Total	13,434	13,428

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	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 61.57 million	48.73%	51.27%
Tongnan Rural Bank	(a)(c)	Chongqing China	Commercial bank	RMB 50 million	55.00%	55.00%
Meihekou Rural Bank	(d)	Jilin China	Commercial bank	RMB 193 million	99.06%	99.06%
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 52.4 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%

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
Taichang 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 41.6 million	51.00%	51.00%
Yuyang Rural Bank	Shaanxi China	Commercial bank	RMB 59.4 million	51.00%	51.00%
Guichi Rural Bank	Anhui China	Commercial bank	RMB 53 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 43.68 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	Tibet China	Commercial bank	RMB 56.6 million	86.11%	86.11%

- (a) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are regarded as the Bank's subsidiaries and have been consolidated in these financial statements.
- (b) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the parties should take "concerted action", the Bank is deemed to have control over the subsidiary and includes it in the scope of consolidated financial statements.
- (c) The Bank has completed the acquisition of a total of 2.50 million shares of Tongnan Rural Bank held by minority shareholders. As at 30 June, 2025, the Bank's ownership of equity shares and voting rights of Tongnan Rural Bank have changed to 55.00% (December 31, 2024: 50.00%).
- (d) The Bank has completed the acquisition of a total of 4.00 million shares of Meihekou Rural Bank held by minority shareholders. As at 30 June, 2025, the Bank's ownership of equity shares and voting rights of Meihekou Rural Bank have changed to 99.06% (December 31, 2024: 98.30%).

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.23 Other assets

		30 June 2025	31 December 2024
Interest receivable	(1)	10,105	10,970
Prepayments for leased assets	(2)	6,437	6,491
Other debt receivables and advances		5,777	5,552
Intangible assets	(3)	4,983	4,962
Foreclosed assets	(4)	4,878	4,941
Fee and commission receivable		3,212	3,328
Items in the process of clearance and settlement		3,077	2,610
Investment properties		2,777	2,820
Prepayment		2,590	2,691
Long-term deferred expenses		1,565	1,713
Research and development engineering		1,478	1,512
Legal costs receivable		1,429	1,419
Continuously involved assets		999	999
Goodwill	(5)	210	213
Operating lease receivable		201	85
Others		5,743	4,611
Subtotal		55,461	54,917
Less: allowance for impairment losses			
– Foreclosed assets		(665)	(800)
– Others		(4,355)	(4,427)
Total		50,441	49,690

(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 which would be finance leased out or operating leased out.

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.23 Other assets (continued)

(3) Intangible assets

	Six months ended 30 June 2025	Year ended 31 December 2024
Cost		
Balance as at 1 January	12,634	9,114
Increase	792	3,522
Decrease	(37)	(2)
Balance as at 30 June/31 December	<u>13,389</u>	<u>12,634</u>
Accumulated amortisation		
Balance as at 1 January	(7,672)	(6,384)
Increase	(771)	(1,300)
Decrease	37	12
Balance as at 30 June/31 December	<u>(8,406)</u>	<u>(7,672)</u>
Carrying amount		
Balance as at 1 January	<u>4,962</u>	<u>2,730</u>
Balance as at 30 June/31 December	<u>4,983</u>	<u>4,962</u>

(4) Foreclosed assets include buildings, land use rights and transportation facilities. The Group disposed foreclosed assets of RMB937 million for the six months ended 30 June 2025 (For the six months ended 30 June 2024: RMB408 million).

(5) Goodwill arising from CMBC International

	Six months ended 30 June 2025	Year ended 31 December 2024
Balance as at 1 January	213	208
Exchange difference	(3)	5
Balance as at 30 June/31 December	<u>210</u>	<u>213</u>

As at 30 June 2025 and 31 December 2024, no impairment loss of the Group's goodwill is recognised.

4.24 Allowances for impairment losses

		Six months ended 30 June 2025			
		Balances as at 1 January 2025	Net charge/ (reversal) for the period	Write-offs and transfer out	Balances as at 30 June 2025
Note 4				Other	
Balances with banks and other financial institutions	12	2	6	–	8
Placements with banks and other financial institutions	13	1,485	164	–	1,649
Financial assets held under resale agreements	15	47	(1)	–	46
Loans and advances to customers	16	93,129	23,452	(23,834)	95,816
Financial investments	17	13,897	1,841	(2,502)	13,037
Long-term receivables	18	2,862	540	(912)	2,762
Property and equipment	19	938	3	–	939
Other assets	23	5,227	440	(647)	5,020
Total		<u>117,587</u>	<u>26,445</u>	<u>(27,895)</u>	<u>119,277</u>
		Year ended 31 December 2024			
		Balances as at 1 January 2024	Net charge/ (reversal) for the year	Write-offs and transfer out	Balances as at 31 December 2024
Note 4				Other	
Balances with banks and other financial institutions	12	4	298	–	2
Placements with banks and other financial institutions	13	1,513	(33)	–	1,485
Financial assets held under resale agreements	15	26	21	–	47
Loans and advances to customers	16	97,444	39,006	(51,183)	93,129
Financial investments	17	12,386	4,839	(2,665)	13,897
Long-term receivables	18	2,779	1,098	(1,186)	2,862
Property and equipment	19	936	19	–	938
Other assets	23	5,007	846	(626)	5,227
Total		<u>120,095</u>	<u>46,094</u>	<u>(55,660)</u>	<u>117,587</u>

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.25 Deposits and placements from banks and other financial institutions

	30 June 2025	31 December 2024
China mainland		
Banks	78,007	103,376
Other financial institutions	665,856	903,479
Overseas		
Banks	24,135	33,470
Other financial institutions	32,916	28,749
Subtotal	800,914	1,069,074
Interest accrued	3,140	4,632
Total	804,054	1,073,706

4.26 Financial liabilities at fair value through profit or loss

	30 June 2025	31 December 2024
Financial liabilities related to precious metals	36,979	9,564
Financial liabilities designated at fair value through profit or loss	31,647	33,633
Others	18	31
Total	68,644	43,228

- (1) For the six months ended 30 June 2025 and for the year ended 31 December 2024, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.27 Borrowings from banks and other financial institutions

	30 June 2025	31 December 2024
Unsecured borrowings	84,679	88,472
Borrowings secured by – Tangible assets and monetary assets	23,217	22,594
Subtotal	107,896	111,066
Interest accrued	607	927
Total	108,503	111,993

As at 30 June 2025 and 31 December 2024, 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)).

4.28 Financial assets sold under repurchase agreements

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

	30 June 2025	31 December 2024
Bonds	201,798	175,195
Bills	50,261	72,444
Subtotal	252,059	247,639
Interest accrued	393	485
Total	252,452	248,124

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.29 Deposits from customers

	30 June 2025	31 December 2024
Demand deposits		
– Corporate customers	1,066,816	1,051,320
– Personal customers	438,833	396,934
Time deposits (including call deposits)		
– Corporate customers	1,864,783	1,895,490
– Personal customers	938,759	901,419
Other deposits (a)	1,811	3,932
Subtotal	4,311,002	4,249,095
Interest accrued	71,085	83,586
Total	4,382,087	4,332,681

(a) Other deposits includes outward remittance and remittance payables.

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

	30 June 2025	31 December 2024
Pledged deposits for bank acceptances	280,310	280,633
Pledged deposits for letters of credit and guarantees	50,170	44,597
Other pledged deposits	26,349	28,185
Total	356,829	353,415

4.30 Provisions

	30 June 2025	31 December 2024
Credit loss of off-balance sheet credit commitments (1)	998	1,058
Litigation provision	446	522
Others	169	150
Total	1,613	1,730

4 NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4.30 Provisions (continued)

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

	Six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2025	(1,008)	(49)	(1)	(1,058)
Transfer:				
to stage 1	(3)	3	–	–
to stage 2	3	(3)	–	–
to stage 3	–	1	(1)	–
Net reversal/(charge)	41	21	(2)	60
Balance as at 30 June 2025	<u>(967)</u>	<u>(27)</u>	<u>(4)</u>	<u>(998)</u>

	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(1,065)	(146)	(1)	(1,212)
Transfer:				
to stage 1	(13)	13	–	–
to stage 2	5	(5)	–	–
to stage 3	2	2	(4)	–
Net reversal	63	87	4	154
Balance as at 31 December 2024	<u>(1,008)</u>	<u>(49)</u>	<u>(1)</u>	<u>(1,058)</u>

4.31 Debt securities issued

		30 June 2025	31 December 2024
Certificates of interbank deposit		916,151	803,492
Financial bonds	(1)	57,987	47,983
Tier-two capital bonds	(2)	69,997	79,994
Medium-term and short-term notes	(3)	5,141	7,143
Subtotal		<u>1,049,276</u>	<u>938,612</u>
Interest accrued		<u>697</u>	<u>2,413</u>
Total		<u>1,049,973</u>	<u>941,025</u>

For the six months ended 30 June 2025 and for the year ended 31 December 2024, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

4.31 Debt securities issued (continued)

(1) Financial bonds

		30 June 2025	31 December 2024
2022-3-year fixed rate financial bonds	(a)	–	20,000
2023-3-year fixed rate financial bonds	(b)	1,599	1,598
2023-3-year fixed rate financial bonds	(c)	19,999	19,999
2023-3-year fixed rate financial bonds	(d)	1,598	1,597
2023-3-year fixed rate financial bonds	(e)	2,397	2,395
2024-3-year fixed rate financial bonds	(f)	2,395	2,394
2025-3-year fixed rate financial bonds	(g)	9,999	–
2025-3-year fixed rate financial bonds	(h)	20,000	–
Total		57,987	47,983

- (a) RMB20 billion worth of fixed-rate financial bonds were issued on 7 April 2022, with a term of 3 years, and a fixed coupon rate of 2.95% per annum. Fully redeemed on April 20, 2025 by the Bank.
- (b) RMB2 billion worth of fixed-rate financial bonds were issued on 20 March 2023, with a term of 3 years, and a fixed coupon rate of 3.40% per annum. This bond was issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB400 million.
- (c) RMB20 billion worth of fixed-rate financial bonds were issued on 18 May 2023, with a term of 3 years, and a fixed coupon rate of 2.68% per annum.
- (d) RMB2 billion worth of fixed-rate financial bonds were issued on 25 May 2023, with a term of 3 years, and a fixed coupon rate of 3.27% per annum. This bond was issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB400 million.
- (e) RMB3 billion worth of fixed-rate financial bonds were issued on 25 July 2023, with a term of 3 years, and a fixed coupon rate of 3.19% per annum. This bond was issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB600 million.
- (f) RMB3 billion worth of fixed-rate financial bonds were issued on 28 May 2024, with a term of 3 years, and a fixed coupon rate of 2.49% per annum. This bond was issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB600 million.
- (g) RMB10 billion worth of fixed-rate financial bonds were issued on 18 February 2025, with a term of 3 years, and a fixed coupon rate of 1.70% per annum.
- (h) RMB20 billion worth of fixed-rate financial bonds were issued on 20 February 2025, with a term of 3 years, and a fixed coupon rate of 1.85% per annum.

4.31 Debt securities issued (continued)

(2) Tier-two capital bonds

		30 June 2025	31 December 2024
2020 1st tranche-10-year fixed rate tier-two capital bonds	(a)	–	49,997
2024 1st tranche-10-year fixed rate tier-two capital bonds	(b)	29,998	29,997
2025 1st tranche-10-year fixed rate tier-two capital bonds	(c)	39,999	–
Total		69,997	79,994

- (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. As at 27 June 2025, the amount was fully redeemed by the Bank.
- (b) Tier-two capital bonds with a nominal value of RMB30 billion, a term of 10 years, and a fixed coupon rate of 2.50% per annum, were issued on 24 June 2024. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.
- (c) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 2.35% per annum, were issued on 25 April 2025. 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.

(3) Medium-term and short-term notes

		30 June 2025	31 December 2024
2023-2-year medium-term notes	(a)	–	1,999
2024-2-year medium-term notes	(b)	2,993	2,987
2024-3-year medium-term notes	(c)	2,148	2,157
Total		5,141	7,143

- (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%. As at 10 January 2025, the amount was fully redeemed by the Bank.
- (b) Medium-term notes with a nominal value of RMB3 billion of medium-term notes were issued on 7 March 2024, with a term of 2 years. The coupon rate is 3.08%.
- (c) Medium-term notes with a nominal value of USD0.3 billion of medium-term notes were issued on 13 September 2024, with a term of 3 years, floating interest rate.

4.32 Other liabilities

		30 June 2025	31 December 2024
Items in the process of clearance and settlement		66,845	60,697
Employee benefits payable	(1)	10,147	13,993
Lease payments received in advance		6,849	6,665
Other tax payable	(2)	3,466	3,633
Accrued expenses		3,270	3,353
Notes payable		3,144	2,274
Dividend payable		2,714	–
Output value added tax to be transferred		2,688	2,778
Continuously involved liabilities		999	999
Payable for long-term assets		603	507
Deferred fee and commission income		544	499
Intermediate collection and payment		259	371
Others		2,081	1,095
Total		103,609	96,864

(1) Employee benefits payable

	1 January 2025	Increase	Decrease	30 June 2025
Short-term employee benefits				
– Salaries, bonuses and allowances	13,346	8,531	(12,411)	9,466
– Staff welfare fees	5	632	(636)	1
– Social insurance (a) and supplementary insurance	131	648	(642)	137
– Housing fund	127	984	(964)	147
– Labour union fee, staff and workers' education fee	34	243	(233)	44
Subtotal	13,643	11,038	(14,886)	9,795
Post-employment benefits				
– defined contribution plans				
– Basic pension insurance plans	172	1,168	(1,158)	182
– Unemployment insurance	22	40	(41)	21
– Annuity scheme (b)	156	355	(362)	149
Subtotal	350	1,563	(1,561)	352
Total	13,993	12,601	(16,447)	10,147

4.32 Other liabilities (continued)

(1) Employee benefits payable (continued)

	1 January 2024	Increase	Decrease	31 December 2024
Short – term employee benefits				
– Salaries, bonuses and allowances	13,794	22,689	(23,137)	13,346
– Staff welfare fees	–	1,582	(1,577)	5
– Social insurance (a) and supplementary insurance	133	1,799	(1,801)	131
– Housing fund	126	1,934	(1,933)	127
– Labour union fee, staff and workers' education fee	42	493	(501)	34
Subtotal	14,095	28,497	(28,949)	13,643
Post – employment benefits				
– defined contribution plans				
– Basic pension insurance plans	164	2,304	(2,296)	172
– Unemployment insurance	21	78	(77)	22
– Annuity scheme (b)	159	712	(715)	156
Subtotal	344	3,094	(3,088)	350
Total	14,439	31,591	(32,037)	13,993

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

(b) For the six months ended 30 June 2025, the contributions to the annuity schemes of the Bank and some subsidiaries were calculated at 3% of the employees' total annual salary (For the year ended 31 December 2024: 3%).

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

(2) Other tax payable

	30 June 2025	31 December 2024
Value added tax	2,693	2,588
Others	773	1,045
Total	3,466	3,633

4.33 Share capital and capital reserve

	30 June 2025	31 December 2024
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 RMB58,087 million as at 30 June 2025 (RMB58,087 million at 31 December 2024), mainly represents capital premium.

4.34 Preference Shares

(1) Outstanding Preference Shares at year end

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

The dividend yield for the first five years after the issuance of preferred stock is 4.38%, and the dividend yield will be reset to 3.17% on 18 October 2024. The issuance cost of preferred shares issued by the Bank was RMB25 million on 30 June 2025 (31 December 2024: RMB25 million).

(2) Domestic Preference Shares Main Clauses

(a) Dividend

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

(b) Conditions to distribution of dividends

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

4.34 Preference Shares (continued)

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

(c) *Dividend stopper*

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

(d) *Order of distribution and liquidation method*

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

(e) *Mandatory conversion trigger events*

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

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

(f) *Redemption*

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

The Bank has the right to redeem all or part of the domestic Preferred Shares on the preferred stock dividend date of each year, starting from the date of expiration of 5 years after the issue date (i.e., 15 October 2019), and the redemption period shall expire on the date of conversion or redemption in full. In the case of partial redemption, all domestic preferred shares issued will be redeemed on the same terms and in proportion.

4.34 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 ordinary shareholders.

The dividend of the Domestic Preference Shares shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(3) Changes in preference shares outstanding

	1 January 2025		Movements		30 June 2025	
	Amount (million shares)	Issue Amount	Amount (million shares)	Issue Amount	Amount (million shares)	Issue Amount
Domestic Preference Shares	<u>200</u>	<u>20,000</u>	<u>–</u>	<u>–</u>	<u>200</u>	<u>20,000</u>
	1 January 2024		Movements		31 December 2024	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Domestic Preference Shares	<u>200</u>	<u>20,000</u>	<u>–</u>	<u>–</u>	<u>200</u>	<u>20,000</u>

4.35 Perpetual Bonds

(1) Outstanding Perpetual Bonds at year end

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million pieces)	Issue Amount In original currency	Issue Amount In RMB	Maturity	Conversion condition	Conversion
2021 Undated Capital Bonds (Series 1)	19/04/2021	Equity	4.30%	100 RMB/ Note	300	30,000	30,000	None	None	None
2022 Undated Capital Bonds (Series 1)	14/06/2022	Equity	4.20%	100 RMB/ Note	50	5,000	5,000	None	None	None
2024 Undated Capital Bonds (Series 1)	15/08/2024	Equity	2.35%	100 RMB/ Note	300	30,000	30,000	None	None	None
2024 Undated Capital Bonds (Series 2)	30/10/2024	Equity	2.73%	100 RMB/ Note	100	10,000	10,000	None	None	None
2025 Undated Capital Bonds (Series 1)	19/06/2025	Equity	2.30%	100 RMB/ Note	300	30,000	<u>30,000</u>	None	None	None
Total							<u>105,000</u>			

4.35 Perpetual Bonds (continued)

(2) *Main Clauses*

(a) *Principal Amount*

2021 Undated Tier 1 Capital Bonds-Series 1 RMB30 billion.

2022 Undated Tier 1 Capital Bonds-Series 1 RMB5 billion.

2024 Undated Tier 1 Capital Bonds-Series 1 RMB30 billion.

2024 Undated Tier 1 Capital Bonds-Series 2 RMB10 billion.

2025 Undated Tier 1 Capital Bonds-Series 1 RMB30 billion.

(b) *Maturity Date*

The Bonds will continue to be outstanding so long as the Issuer's business continues to operate.

(c) *Distribution Rate*

The Distribution Rate of the Bonds will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Bonds will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralised allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on ChinaBond.com.cn or other websites approved by the China Central Depository & Clearing Co., Ltd. The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) *Conditional Redemption Rights of the Issuer*

The Bonds Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not part of the Bonds.

(e) *Subordination*

The claims in respect of the Bonds, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Tier 1 Capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

4.35 Perpetual Bonds (continued)

(2) Main Clauses (continued)

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Bondholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Bonds, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Bonds do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option of investors is not applicable.

(3) Changes in perpetual bonds outstanding

Perpetual Bonds	1 January 2025		Movements		30 June 2025	
	Amount (million pieces)	Issue Amount	Amount (million pieces)	Issue Amount/ (Redemption Amount)	Amount (million pieces)	Issue Amount
2021 Undated Capital Bonds	300	30,000	-	-	300	30,000
2022 Undated Capital Bonds (Series 1)	50	5,000	-	-	50	5,000
2024 Undated Capital Bonds (Series 1)	300	30,000	-	-	300	30,000
2024 Undated Capital Bonds (Series 2)	100	10,000	-	-	100	10,000
2025 Undated Capital Bonds (Series 1)	-	-	300	30,000	300	30,000
Total		<u>75,000</u>		<u>30,000</u>		<u>105,000</u>

Perpetual Bonds	1 January 2024		Movements		31 December 2024	
	Amount (million pieces)	Issue Amount	Amount (million pieces)	Issue Amount/ (Redemption Amount)	Amount (million pieces)	Issue Amount
2019 Undated Capital Bonds	400	40,000	(400)	(40,000)	-	-
2021 Undated Capital Bonds (Series 1)	300	30,000	-	-	300	30,000
2022 Undated Capital Bonds (Series 1)	50	5,000	-	-	50	5,000
2024 Undated Capital Bonds (Series 1)	-	-	300	30,000	300	30,000
2024 Undated Capital Bonds (Series 2)	-	-	100	10,000	100	10,000
Total		<u>75,000</u>		<u>-</u>		<u>75,000</u>

4.36 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the former CBIRC, the preferred shares and perpetual bonds issued by the Bank have met the criteria of qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	30 June 2025	31 December 2024
Total equity attributable to equity holders of the Bank	688,544	642,859
Equity attributable to ordinary equity holders of the Bank	563,544	547,859
Equity attributable to other equity holders of the Bank	125,000	95,000
	688,544	642,859
Total equity attributable to non-controlling interests	13,768	13,709
Equity attributable to non-controlling interests of ordinary shares	13,768	13,709
	13,768	13,709

4.37 Surplus reserve, general reserve and retained earnings***(1) Surplus reserve***

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit. Until the statutory surplus reserve reaches 50% of its registered capital, the Bank will still appropriate 10% of its net profit as statutory surplus reserve. 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 2025 (for the year ended 31 December 2024: RMB3,083 million).

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations, which were included in the Group's general reserve.

The Group appropriated RMB149 million of profits to the general reserve for the six months ended 30 June 2025 (for the year ended 31 December 2024: RMB4,042 million).

(3) Retained earnings

As at 30 June 2025, the retained earnings included the statutory surplus reserve of RMB1,798 million contributed by the subsidiaries (31 December 2024: RMB1,790 million). The surplus reserve of the subsidiaries included in the retained earnings cannot be distributed.

4.38 Non-controlling interests

As at 30 June 2025, the non-controlling interests in the subsidiaries were RMB13,768 million (31 December 2024: RMB13,709 million).

4.39 Dividends/Interests**(1) Dividends for Ordinary Shares**

The board of directors approved the cash dividends distribution plan for 2025 interim at the Board Meeting on 29 August 2025. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividends declared was RMB1.36 (tax inclusive) for every 10 shares. A total dividend of RMB5,954 million (tax inclusive) was based on total number of shares of 43,782 million as at 30 June 2025.

The shareholders approved the cash dividends distribution plan for 2024 at the Annual General Meeting on 26 June 2025. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividends declared was RMB0.62 (tax inclusive) for every 10 shares. A total dividend of RMB2,714 million (tax inclusive) was based on total number of shares of 43,782 million as at 31 December 2024.

The shareholders approved the cash dividends distribution plan for 2024 interim at the Annual General Meeting on 25 October 2024. The cash dividends declared would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividend declared was RMB1.30 (including tax) for every 10 shares. A total dividend of RMB5,692 million (including tax) was based on the total number of shares of 43,782 million as on 30 June 2024.

The shareholders approved the cash dividends distribution plan for 2023 at the Annual General Meeting on 26 June 2024. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividends declared was RMB2.16 (tax inclusive) for every 10 shares. A total dividend of RMB9,457 million (tax inclusive) was based on the total number of shares of 43,782 million as on 31 December 2023.

(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 August 2024, 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 2024.

(3) Interests for Perpetual Bonds

On 16 June 2025, 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 21 April 2025, 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 3 June 2024, the Bank declared interest for 2022 undated capital bonds. Interest approved amounted to RMB210 million (including tax), calculated at the initial annual pay-out ratio of 4.20% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 6 May 2024, the Bank declared interest for 2019 undated capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 10 April 2024, the Bank declared interest for 2021 undated capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

4.40 Other reserves

	Six months ended 30 June	
	2025	2024
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	350	173
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	28	4,667
Allowance for impairment losses	186	30
Amount transferred to profit or loss from other comprehensive income (a)	(2,537)	(2,403)
Less: Tax effect	506	(479)
Subtotal	(1,467)	1,988
Effective hedging portion of gains or losses arising from cash flow hedging instruments	44	30
Less: Tax effect	(12)	(7)
Subtotal	32	23
Exchange difference on translating foreign operations	(61)	25
Total	(1,496)	2,036

(a) It refers to the amount transferred to profit or loss due to disposal.

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Attributable to equity shareholders of the Bank			
	Investment revaluation reserve	Cash flow hedging reserve	Exchange reserve	Total
1 January 2025	6,602	(12)	602	7,192
Movement during the period	(1,456)	32	(63)	(1,487)
30 June 2025	5,146	20	539	5,705
1 January 2024	1,507	(17)	532	2,022
Movement during the year	5,095	5	70	5,170
31 December 2024	6,602	(12)	602	7,192

4.41 Notes to the condensed 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 2025	31 December 2024
Cash (Note 4.11)	4,979	5,260
Surplus deposit reserves with central bank (Note 4.11)	54,388	37,561
Balances with banks and other financial institutions – demand deposits	125,694	96,370
Original maturity within 3 months:		
– Balances with banks and other financial institutions	1,556	1,814
– Placements with banks and other financial institutions	12,149	43,985
Total	198,766	184,990

4.42 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognised 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 recognise 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 derecognise 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 2025, the Group transferred loans through securitisation transactions with gross balance of RMB5,548 million (For the six months ended 30 June 2024: RMB3,958 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 2025, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB10,296 million (For the six months ended 30 June 2024: RMB1,965 million). The Group transferred substantially all the risks and rewards of these non-performing financial assets and therefore has derecognised 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 2025, the amount of debt securities lent to counterparties was RMB90,076 million (31 December 2024: RMB125,457 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	Provide financial products and services to individual customers, mainly including personal deposit and loan services, credit card and debit card 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.

	Six months ended 30 June 2025			
	Corporate banking	Retail banking	Others	Total
Operating income	35,340	28,565	6,796	70,701
Net interest income	24,157	22,335	2,711	49,203
Include: inter-segment net interest (expense)/income	(123)	(951)	1,074	–
Net fee and commission income	2,645	6,470	570	9,685
Net other income/(expense)	8,538	(240)	3,515	11,813
Operating expenses	(7,523)	(9,975)	(4,024)	(21,522)
Credit impairment losses	(13,253)	(12,105)	(681)	(26,039)
Other impairment losses	1	–	(347)	(346)
Profit before income tax	14,560	6,485	1,749	22,794
Depreciation and amortisation	1,696	1,366	1,099	4,161
Capital expenditure	1,123	904	7,309	9,336

5 SEGMENT INFORMATION (continued)
5.1 Business segments (continued)

	As at 30 June 2025			
	Corporate banking	Retail banking	Others	Total
Segment assets	5,090,354	1,784,720	835,697	7,710,771
Deferred income tax assets				58,150
Total assets				7,768,921
Segment liabilities	(4,741,948)	(1,397,376)	(927,046)	(7,066,370)
Deferred income tax liabilities				(239)
Total liabilities				(7,066,609)
Credit commitments	938,662	525,520	–	1,464,182
	Six months ended 30 June 2024			
	Corporate banking	Retail banking	Others	Total
Operating income	34,526	27,280	3,783	65,589
Net interest income	25,096	21,221	2,265	48,582
Include: inter-segment net interest income/(expense)	4,469	(5,528)	1,059	–
Net fee and commission income	2,877	6,051	717	9,645
Net other income	6,553	8	801	7,362
Operating expenses	(7,427)	(10,065)	(3,961)	(21,453)
Credit impairment losses	(8,882)	(10,534)	(1,135)	(20,551)
Other impairment losses	(194)	(3)	88	(109)
Profit before income tax	18,024	6,677	(1,225)	23,476
Depreciation and amortisation	1,724	1,358	1,313	4,395
Capital expenditure	1,507	1,187	7,686	10,380

5 SEGMENT INFORMATION (continued)

5.1 Business segments (continued)

	As at 31 December 2024			
	Corporate banking	Retail banking	Others	Total
Segment assets	5,144,314	1,745,584	866,922	7,756,820
Include: Investments in associates				–
Deferred income tax assets				58,149
Total assets				7,814,969
Segment liabilities	(4,944,030)	(1,291,332)	(922,796)	(7,158,158)
Deferred income tax liabilities				(243)
Total liabilities				(7,158,401)
Credit commitments	851,564	519,340	–	1,370,904

Since the preparation of the financial statements for 2024, due to the change in management standards, the small business was subdivided into the small business of corporate customer group and the small business of individual customer group, the small business of corporate customer group was moved from the retail banking segment to the corporate banking segment, and the comparative figures was adjusted at the same time. The comparative figures as of 30 June 2024 presented in these interim financial statements have been adjusted accordingly.

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, London Branch and subsidiaries

5 SEGMENT INFORMATION (continued)

5.2 Geographical segments (continued)

	Six months ended 30 June 2025		As at 30 June 2025
	Operating income	Profit before income tax	Segment assets (1)
Head Office	27,677	8,931	3,306,490
Yangtze River Delta	11,855	5,061	1,239,070
Pearl River Delta	7,555	3,079	758,174
Bohai Rim	6,562	(2,034)	1,383,899
Northeastern Region	1,231	1,411	135,374
Central Region	5,094	1,603	578,286
Western Region	5,816	2,374	694,823
Overseas and subsidiaries	4,911	2,369	454,986
Inter-segment elimination	—	—	(840,331)
Total	70,701	22,794	7,710,771

	Six months ended 30 June 2024		As at 31 December 2024
	Operating income	Profit before income tax	Segment assets (1)
Head Office	22,685	4,641	3,416,362
Yangtze River Delta	10,734	2,755	1,254,041
Pearl River Delta	7,438	3,970	819,463
Bohai Rim	8,009	4,123	1,420,814
North-Eastern Region	1,344	725	151,842
Central Region	5,618	2,887	573,712
Western Region	4,940	2,128	688,144
Overseas and subsidiaries	4,821	2,247	437,774
Inter-segment elimination	—	—	(1,005,332)
Total	65,589	23,476	7,756,820

(1) Segment assets do not include deferred tax assets.

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 2025	31 December 2024
Bank acceptances	563,174	518,662
Guarantees	135,316	135,217
Letters of credit	177,443	141,076
Unused credit card commitments	525,419	519,213
Irrevocable credit commitments		
– original maturity date within 1 year	46,064	40,454
– original maturity date over 1 year	16,766	16,282
Total	1,464,182	1,370,904

6.2 Capital commitments

	30 June 2025	31 December 2024
Contracted but not paid for	14,895	14,852

6 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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 2025	31 December 2024
Balances with banks and other financial institutions	10,988	11,072
Loans and advances to customers	131,503	130,692
Discounted bills	50,596	72,907
Financial investments	386,794	373,625
Long-term receivables	7,832	9,625
Property and equipment	13,666	12,720
Total	601,379	610,641

As at 30 June 2025, except for assets pledged mentioned above, the amount of RMB802 million of the Group's Balances with banks and other financial institutions was mainly used as special funds for a subsidiary's business (31 December 2024: RMB1,342 million).

(2) *Collateral received*

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 30 June 2025, the Group had no collateral that was sold or lent to counterparties, but obligated to return (31 December 2024: Nil).

6.4 Underwriting of securities

As at 30 June 2025, there was no unexpired underwriting commitment for the Group (31 December 2024: Nil).

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 30 June 2025 was RMB3,806 million (31 December 2024: RMB3,503 million). The original maturities of the bonds vary from one to five years.

6 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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 2025 and 31 December 2024. The Group makes provisions for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 4.30).

7 INTERESTS IN STRUCTURED ENTITIES

7.1 Consolidated structured entities

As at 30 June 2025, the consolidated structured entities amounted to RMB85,990 million (31 December 2024: RMB85,628 million).

7.2 Unconsolidated structured entities

(1) *Invested structured entities in which the Group holds an interest*

Unconsolidated invested structured entities include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the consolidated statement of financial position in which assets are recognised relating to the Group's interests in invested structured entities:

	30 June 2025			
	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	1,480	88,414	40,165	130,059
Funds	150,081	–	–	150,081
Trust and asset management plans	20,842	24,709	–	45,551
Others	5,574	–	–	5,574
Total	<u>177,977</u>	<u>113,123</u>	<u>40,165</u>	<u>331,265</u>

7 INTERESTS IN STRUCTURED ENTITIES (continued)

7.2 Unconsolidated structured entities (continued)

(1) *Invested structured entities in which the Group holds an interest (continued)*

	31 December 2024			
	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	1,713	104,169	20,523	126,405
Funds	159,584	–	–	159,584
Trust and asset management plans	18,254	27,173	–	45,427
Others	3,607	–	–	3,607
Total	<u>183,158</u>	<u>131,342</u>	<u>20,523</u>	<u>335,023</u>

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the consolidated statement of financial positions.

(2) *Interests held in structured entities sponsored and managed but not consolidated by the Group*

Structured entities sponsored and managed but not consolidated by the Group primarily include wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

As at 30 June 2025, the balance of wealth management products sponsored and managed but not consolidated by the Group is RMB1,138,084 million (31 December 2024: RMB1,015,666 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB155,203 million (31 December 2024: RMB124,668 million).

For the six months ended 30 June 2025, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB1,872 million (For the six months ended 30 June 2024: RMB1,730 million). As at 30 June 2025 and 31 December 2024, the carrying amounts of commission receivable being recognised are not material in the consolidated statement of financial positions.

8 ENTRUSTED LENDING BUSINESS

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

	30 June 2025	31 December 2024
Entrusted loans	207,373	273,637
Entrusted funds	207,373	273,637

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 organisation.

Related parties of the Group mainly include corporates or unincorporated organisations that hold or control more than 5% of the Bank's equity interests, and corporates or unincorporated organisations 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 organisations under the control of these entities; the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers (hereinafter referred to as "insiders of the Bank"), their close family members, and the corporates or unincorporated organisations controlled by the aforementioned persons; the directors, supervisors and senior executives of the legal or unincorporated organisations 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 organisations under control or significant influence of the Bank; and natural persons, corporates or unincorporated organisations identified by the Bank as being related on a substance over form basis and/or see-through basis.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders

Company name	Registered location	30 June 2025		31 December 2024		Business	Legal form	Legal representative
		No. of Shares of the Bank held by the Company	Proportion of shares of the Bank held by the Company (%)	No. of Shares of the Bank held by the Company	Proportion of shares of the Bank held by the Company (%)			
		(share)		(share)		(a)		
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
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
Southern Hoper Industry Co., Ltd.	Tibet	405,177,327	0.93	405,177,327	0.93	Retailing	Limited company	Li Jianxiong
New Hope Chemical Investment Co., Ltd.	Sichuan	68,000,000	0.16	68,000,000	0.16	Research and Experimental Development	Limited company	Shao Jun
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
Tongfang Guoxin Investment Co., Ltd.	Chongqing	1,573,675,801	3.59	1,888,530,701	4.31	Commercial service	Limited company	Liu Qinqin
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
Good First Group Co., Ltd.	Xiamen	133,200,000	0.30	133,200,000	0.30	Wholesaling	Limited company	Wu Di
Tibet Hengxun Corporate Management Co., Ltd.	Tibet	80,500,000	0.18	80,500,000	0.18	Commercial service	Limited company	Chen Jianjun
Tibet Fuju Enterprise Management Co., Ltd.	Tibet	52,700,000	0.12	52,900,000	0.12	Commercial service	Limited company	Chen Jianjun

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 CBIRC.

New Hope Liuhe Investment Co., Ltd.: venture capital (with no engagement in guarantee and real estate business; with no participation in the initiation or management of public or private securities investment funds, or investment in financial derivatives); investment management (excluding financial and brokerage business. Private products or the right to proceeds from private products shall not be raised from, sold, or transferred to non-qualified investors). (Entities that operate the above businesses shall not raise funds, take public deposits, or issue loans in a public manner; shall not publicly traded securities investment products or financial derivatives; and shall not operate financial products, wealth management products and related derivative business); financial advisory (excluding businesses of finance companies); wealth management consultancy, and corporate reorganisation consultancy; market research (excluding state secrets and personal privacy); credit investigation, technology development and transfer, and technology consultancy services. (businesses subject to approvals according to laws shall be carried out upon approvals of relevant authorities.)

Southern Hoper Industry 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).

New Hope Chemical Investment Co., Ltd.: research, development, and sales of chemical products (excluding hazardous substances); project investment with provision of technical consulting and after-sales services (excluding financial, securities, and futures related activities) (prohibited from engaging in illegal fundraising or absorbing public funds); distribution of PVC, fertilizers, packaging materials, agricultural by-products, mineral products, chemical raw materials (non-hazardous), feed-grade calcium hydrogen phosphate, mechanical equipment, steel products, construction materials, metal materials (excluding precious and rare metals), environmental protection materials and equipment, rubber products, plastic products, mechanical & electrical products, auxiliary construction materials (excluding paints), hardware and electrical appliances, light textiles, textile raw materials, household appliances, paper and paper products, prepackaged food; import and export of goods; technology import and export operations. (businesses subject to approvals according to laws shall be carried out upon approvals of relevant authorities.)

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) *The Bank's major shareholders (continued)*

(a) *Particulars of principal operations: (continued)*

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale non-physical means 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.

Tongfang Guoxin Investment Co., Ltd.: engage in investment activities with its own funds (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; transportation facilities maintenance; engineering management services; standardised services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management.

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Good First Group Co., Ltd.: investment activities with self-owned funds; engineering and technology research and experimental development; technology promotion and application services; technology promotion services; sales of construction materials; sales of chemical products (excluding chemical products subject to licensing); sales of knitwears and textiles; sales of knitwears and textiles and raw materials; wholesale and retail of hardware products; retail of metal materials; domestic trade agency; supply chain management services; sales of nonmetallic minerals and products; manufacturing of communication devices; manufacturing of electronic components; manufacturing of other electronic devices; manufacturing of special electronic materials; manufacturing of special electronic equipment; wholesale and retail of sporting goods and equipment; sales of digital cultural and creative technology equipment; sales of building decoration materials; sales of mechanical equipment; sales of electronic products; trade brokerage and agency (excluding auctions); trade brokerage; sales of software; information technology consulting services; manufacturing of general parts; manufacturing of other general instruments; manufacturing of electrical equipment; manufacturing of special equipment for electrical machinery; manufacturing of electrical instruments and meters. (Except for businesses subject to approval according to the law, it shall independently carry out business activities according to the business license in compliance with laws.)

Tibet Hengxun 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, fertilisers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

(a) Particulars of principal operations: (continued)

Tibet Fuju Enterprise Management Co., Ltd.: management; business management consulting; corporate image planning; marketing planning; conference and exhibition services; Market research (excluding foreign-related research).

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	30 June 2025	31 December 2024
Dajia Life Insurance Inc.	RMB30,790 million	RMB30,790 million
New Hope Liuhe Investment Co., Ltd.	RMB577 million	RMB577 million
Southern Hoper Industry Co., Ltd.	RMB1,034 million	RMB1,034 million
New Hope Chemical Investment Co., Ltd.	RMB2,718 million	RMB2,718 million
Shanghai Giant Lifetech Co., Ltd.	RMB245 million	RMB245 million
Alpha Frontier Limited	USD17.5 thousand	USD17.5 thousand
Liberal Rise Limited	USD0.05 million	USD0.05 million
Tongfang Guoxin Investment Co., Ltd.	RMB2,574 million	RMB2,574 million
China Shipowners Mutual Assurance Association	RMB0.10 million	RMB0.10 million
Good First Group Co., Ltd.	RMB133 million	RMB133 million
Tibet Hengxun Corporate Management Co., Ltd.	RMB10 million	RMB10 million
Tibet Fuju Enterprise Management Co., Ltd.	RMB300 million	RMB300 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.22.

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(4) Relationship with related parties

Company name	Relationship with the Bank
Dajia Life Insurance Inc.	Related party of Dajia Life Insurance Co., Ltd.
Shanghai Giant Investment Management Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Orient Group Incorporation	Related party of Orient Group Incorporation
Guizhou Guoyuan Mining Development Co., Ltd.	Related party of the Bank holding equity interests arising from the bankruptcy reorganization of the borrower
Shanghai Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Jukun Network Technology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Oriental Group Co., Ltd.	Related party of Orient Group Incorporation
Beijing Dacheng Hotel Co., Ltd.	Related party of Orient Group Incorporation
Chongqing Yufu Expressway Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Tongfang Guoxin Investment Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Goodfirst Group Co., Ltd.
Xiamen Rongyin Co., Ltd.	Related party of Goodfirst Group Co., Ltd.
Beijing Xingtai Tonggang Real Estate Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	Related party of Dajia Life Insurance Co., Ltd.
Sichuan Dazhou Steel Group Co., Ltd.	Related party of the Bank holding equity interests arising from the bankruptcy reorganization of the borrower
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Kunming Dashanghui Industrial Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Guangxi Xindi Investment Co., Ltd.	Related party of Goodfirst Group Co., Ltd.
Chongqing Gengyu Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
New Hope Investment Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Hongfu Co., Ltd.	Related party of Goodfirst Group Co., Ltd.
New Hope Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Tianjin Yuanchuan Investment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Tianjin Boda Warehousing Service Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED

9 RELATED PARTIES (continued)

9.1 Related parties (continued)

(4) Relationship with related parties

Company name	Relationship with the Bank
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Kunming Huguang Real Estate Development 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.
Dalian Jianhua Sludge Treatment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chengdu Paiji Pet Products Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Xunjiu Technology Co., Ltd.	Related party of the Bank's insiders
Sichuan Petzmall Internet Technology Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Beijing ENRELY Technology Co., Ltd.	Related party of the Bank's insiders
Quanzhou Fengze District best art auto parts shop	Related party of the Bank's insiders
Hope Deepblue Air Conditioning Manufacture Corp., Ltd.	Related party of CONTINENTAL HOPE GROUP CORP., LTD.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd.	Related party of CONTINENTAL HOPE GROUP CORP., LTD.
Sichuan Hope Shenlan Energy Chemical Co., Ltd.	Related party of CONTINENTAL HOPE GROUP CORP., LTD.
Tianjin Yuanxi Real Estate Development Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Hope Senlan Science and Technology Holding Corp., Ltd.	Related party of CONTINENTAL HOPE GROUP CORP., LTD.
Sanya Minsheng Tourism Co., Ltd.	Related party of Minsheng E-commerce Holdings (Shenzhen) Co., Ltd.
Minsheng Real Estate Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng E-commerce Holdings (Shenzhen) Co., Ltd.	A company with joint capital contribution of the substantial shareholders of the Bank and the asset management plan of a second-tier subsidiary of the Bank
Minsheng Technology Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.

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 limits and asset transfers, and their close family members; the directors, supervisors and senior executives of the legal or unincorporated organisations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and natural persons identified by the Bank as being related on a substance over form basis and/or look-through basis. As at 30 June 2025, the Bank has 11,983 related natural persons, including 173 who were directors of the Bank and their close family members, 43 who were supervisors of the Bank and their close family members, 131 who were senior executives of the head office and their close family members, 11,482 who were senior executives of key branches of the Bank or people with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers, and their close family members, 129 who were directors, supervisors and senior executives of the legal or unincorporated organisations 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 100 other natural persons.

Note: Among the Bank's directors and their close family members, 66 were also senior executives of the head office or close family members. Among the Bank's directors, supervisors and their close family members, 9 were also directors, supervisors and senior executives of the legal or unincorporated organisations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries.

9.2 Related party transactions

(1) *Material related party transactions*

Material related party transactions refer to transactions where an individual transaction between the Group and a single related party amounts to more than 1% of the Group's net capital at the end of the previous quarter, or where the cumulative total of transactions between the Group and a single related party amounts to more than 5% of the Group's net capital at the end of the previous quarter.

For the year ended 31 December 2025, the Bank granted to Dajia Life Insurance Inc. a maximum credit limit of RMB26 billion with a term of 2 years. As at 30 June 2025, the loan balance was RMB4.63 billion (31 December 2024: RMB18.20 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.

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 2025	31 December 2024
Dajia Life Insurance Inc.	Pledged/ Collateralised	4,625	18,201
Shanghai Giant Investment Management Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,749	–
Orient Group Incorporation	Pledged/ Collateralised/ Guaranteed	3,407	3,467
Guizhou Guoyuan Mining Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,335	3,335
Shanghai Cibi Business Information Consulting Co., Ltd.	Pledged/ Guaranteed	3,307	3,308
Shanghai Jukun Network Technology Co., Ltd.	Pledged/ Guaranteed	3,010	3,040
Oriental Group Co., Ltd.	Pledged/ Guaranteed	2,542	2,542
Beijing Dacheng Hotel Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,685	1,685
Chongqing Yufu Expressway Co., Ltd.	Pledged/ Guaranteed	1,649	1,762
Tongfang Guoxin Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,272	1,260
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	978	978
Xiamen Rongyin Co., Ltd.	Pledged/ Collateralised/ Guaranteed	889	890
Beijing Xingtai Tonggang Real Estate Co., Ltd.	Collateralised	834	778
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	775	807
Sichuan Dazhou Steel Group Co., Ltd.	Pledged/ Collateralised/ Guaranteed	725	725
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/ Guaranteed	665	850
Kunming Dashanghui Industrial Co., Ltd.	Pledged/ Collateralised/ Guaranteed	615	689

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

Balances outstanding as at the end of the reporting period: (continued)

	Types of collateral	30 June 2025	31 December 2024
Guangxi Xindi Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	537	549
Chongqing Gengyu Real Estate Development Co., Ltd.	Collateralised/ Guaranteed	473	803
New Hope Investment Group Co., Ltd.	Pledged/ Guaranteed	441	450
Xiamen Hongfu Co., Ltd.	Pledged/ Guaranteed	390	390
New Hope Group Co., Ltd.	Guaranteed	340	240
Tianjin Yuanchuan Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	313	314
Tianjin Boda Warehousing Service Co., Ltd.	Pledged/ Collateralised/ Guaranteed	273	275
Grass Green Group Co., Ltd.	Pledged/ Guaranteed	109	124
Kunming Heguang Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	74	–
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	70	70
Dalian Jianhua Sludge Treatment Co., Ltd.	Collateralised	64	67
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Guaranteed	30	30
Chengdu Paiji Pet Products Co., Ltd. (a)	Collateralised	6	–
Shanghai Xunjiu Technology Co., Ltd.	Collateralised	5	5
Sichuan Petzmall Internet Technology Co., Ltd. (a)	Unsecured	3	–
Beijing ENRELY Technology Co., Ltd.	Guaranteed	3	3
Quanzhou Fengze District best art auto parts shop	Collateralised	1	1
Hope Deepblue Air Conditioning Manufacture Corp., Ltd. (b)	Pledged/ Guaranteed	0	31
Oceanwide Holding Co., Ltd. (c)	Pledged/ Collateralised/ Guaranteed	N/A	6,800
China Oceanwide Holdings Group Co., Ltd.(c)	Pledged/ Guaranteed	N/A	4,666
Wuhan Centre Building Development Investment Co., Ltd. (c)	Pledged/ Collateralised/ Guaranteed	N/A	3,972
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/ Collateralised/ Guaranteed	–	3,757

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

Balances outstanding as at the end of the reporting period: (continued)

	Types of collateral	30 June 2025	31 December 2024
Wuhan CBD Co., Ltd. (c)	Collateralised/ Guaranteed	N/A	3,046
Tianjin Shengshi Xinhe Real Estate Co., Ltd. (c)	Pledged/ Collateralised	N/A	900
Yunnan Textile Corporation (c)	Pledged/ Collateralised/ Guaranteed	N/A	603
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	–	145
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd.	Guaranteed	–	80
Sichuan Hope Shenlan Energy Chemical Co., Ltd.	Guaranteed	–	60
Tianjin Yuanxi Real Estate Development Co., Ltd.	Pledged/ Collateralised	–	52
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	–	40
Hope Senlan Science and Technology Holding Corp., Ltd.	Guaranteed	–	30
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd. (c)	Collateralised	N/A	15
Wuxi Yuanmai Information Technology Co., Ltd. (c)	Pledged	N/A	3
Jiangsu Zhijun Power Equipment Co., Ltd. (c)	Collateralised	N/A	2
Individuals	Pledged/ Collateralised/ Guaranteed	1,100	1,216
Total		<u>38,294</u>	<u>73,056</u>
Ratio to similar transactions (%)		<u>0.87</u>	<u>1.66</u>
Interest rate ranges of corporate related parties		<u>1.38% - 6.30%</u>	<u>2.30% – 8.95%</u>

- (a) Since 2025, these companies have become related parties of the Group.
- (b) The balance is rounded to less than RMB1 million.
- (c) As at 30 June 2025, these companies were no longer related parties of the Group.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

Amount of transactions:

	Six months ended 30 June	
	2025	2024
Interest income from loans	1,327	1,887
Ratio to similar transactions (%)	1.70	2.11

(4) Other transactions with related parties

Balances as at the end of the reporting period:

	30 June 2025		31 December 2024	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost	3,445	0.25	3,541	0.24
– Financial assets at fair value through profit or loss	644	0.17	923	0.24
– Financial assets at fair value through other comprehensive income	457	0.08	303	0.06
Long-term receivables	–	–	37	0.03
Intangible assets	39	0.49	36	0.45
Other assets (a)	635	1.36	696	1.51
Deposits and placements from banks and other financial institutions	3,499	0.48	605	0.06
Deposits from customers	14,757	0.34	27,954	0.65
Other liabilities	–	–	22	0.03

- (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.

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

Interest rate ranges for transaction balances as at the end of reporting period

	30 June 2025	31 December 2024
Financial investments		
– Financial assets measured at amortised cost	4.90% – 5.50%	4.90% – 5.50%
– Financial assets at fair value through other comprehensive income	4.00% – 5.32%	2.70% – 5.50%
Long-term receivables	N/A	8.90%
Deposits and placements from banks and other financial institutions	0.05% – 2.08%	0.10% – 2.78%
Deposits from customers	0.00% – 5.13%	0.00% – 5.31%

Amount of transactions:

	Six months ended 30 June			
	2025		2024	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	58	0.05	195	0.15
Fee and commission income (a)	94	0.84	115	1.00
Interest expense	348	0.54	250	0.31
Operating expenses (b)	509	2.37	847	3.95
Net other operating income (c)	235	32.32	250	16.59

In addition to the above transactions, for the six months ended 30 June 2025, the Bank entrusted related parties to develop software and systems, and paid a total of RMB307 million (For the six months ended 30 June 2024: RMB393 million). The main service provider was Minsheng Fintech Co., Ltd.

- (a) For the six months ended 30 June 2025 and for the six months ended 30 June 2024, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc.
- (b) Operating expenses of the Group were mainly for property management service, assets recovery service and business process outsourcing service provided by Minsheng Real Estate Co., Ltd. and its related parties, financial business outsourcing service, travel and publicity campaigns provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties.
- (c) For the six months ended 30 June 2025, Minsheng Financial Leasing recognised RMB229 million fees for ancillary service in asset management provided by Sanya Minsheng Tourism Co. Ltd. (For the six months ended 30 June 2024: RMB209 million).

9 RELATED PARTIES (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

Balance of off-balance sheet items:

	30 June 2025		31 December 2024	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Guarantees (a)	–	–	0	0.00
Unused credit card commitments	505	0.10	540	0.10

(a) As at 31 December 2024, the balance of guarantees is rounded to less than RMB1 million.

Balances of loans guaranteed by related parties:

	30 June 2025	31 December 2024
Loans guaranteed by related parties	26,392	34,727
Ratio to similar transactions (%)	0.60	0.79

(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 2025 and for the six months ended 30 June 2024.

(6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB0.32 million as at 30 June 2025 (31 December 2024: RMB0.76 million), which have been included in the above loans granted to related parties.

For the six months ended 30 June 2025, the pre-tax compensation (including wages and short-term benefits) of key management personnel totalled RMB19 million (for the six months ended 30 June 2024: RMB25 million).

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 2025	31 December 2024
Placements with banks and other financial institutions	21,941	25,622
Loans and advances to customers	1,663	2,080
Financial investment	2,026	2,037
Other assets	67	76
Deposits and placements from banks and other financial institutions	12,966	11,081
Deposits from customers	636	406
Other liabilities	52	—
	<u>21,941</u>	<u>25,622</u>

Amount of transactions for the reporting period:

	Six months ended 30 June 2025	2024
Interest income	487	667
Interest expense	76	134
Fee and commission income	206	302
Fee and commission expense	—	2
Net other operating income	—	1
	<u>487</u>	<u>667</u>

(8) Material transactions between the Bank and its subsidiaries

For the year ended 31 December 2025, the Bank granted CMBC Wealth Management Co., Ltd. a maximum credit limit of RMB68 billion with a term of 2 years. As at 30 June 2025, the credit line remained unused.

(9) Transactions between subsidiaries

For the six months ended 30 June 2025, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 30 June 2025, the above transaction had no balance (31 December 2024: RMB65 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

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 Group's credit risk management covers the whole process of credit, investment, leasing and other businesses, including risk appetite and policy formulation, credit acceptance approval, post-loan (investment) management, credit risk monitoring report and other key activities. The Group's business lines bear the direct responsibility for credit risk management, the risk management line bears the responsibilities for formulating policies and processes, monitoring and managing risks, and the internal audit department bears the audit responsibility for performance of duties by business departments and the risk management department:

- The Group's business lines and departments including the Corporate Business Department/Sci-Tech Finance Department, the Strategic Clients Department, the Inclusive Finance SBU/Small Business Finance SBU, the Retail Business Quality Control Department, the Financial Institutions Department, the Financial Markets Department are directly responsible for credit risk and serve as the first line of defence in risk internal control management. They formulated the requirements and process according to the Group's risk management system, organised operating agencies to carry out relevant business.

10.2 Credit risk (continued)

- The functional departments that engage in credit risk management mainly include departments such as the Credit Management Department, the Risk Management Department, the Credit Approval Department and the Assets Management Department, and they serve as the second line of defence in credit risk management. Among them, the Credit Management Department is the department in charge of credit risk management. The Risk Management Department is responsible for assigning ratings, credit risk measurement and other activities. The Credit Approval Department is responsible for tasks such as comprehensive credit granting and credit approval of various credit businesses. The Assets Management Department is responsible for tasks such as operation and management of non-performing and potential risk assets.
- The Group's audit department serves as the third line of defence in risk management and is responsible for supervision and evaluation.

The credit risk management of the Group includes processes and activities of pre-loan (investment) investigation, inspection and review for lending (investment) and post-loan (investment) management of credit business. Pre-loan (investment) investigation represents assigning credit risk ratings and conducting risk assessment of customers; for the inspection and review for lending (investment), all businesses must be approved by authorised approvers; During the post-loan (investment) management, the Group continuously monitors businesses and strengthens risk monitoring on key industries, regions, products and customers, timely reports the matters and emergencies in the borrower that endanger the safety of credit assets and may cause significant credit risk, and takes timely measures to effectively prevent, control and mitigate risks. The Group has continuously improved its internal control mechanism, strengthened the entire process management of credit business, assigns the responsibilities of each activity in credit business management to all relevant departments and posts according to the principle of effective checks and balances, and established an appraisal and accountability mechanism.

The Group measures and manages the quality of its on-balance sheet and off-balance sheet financial assets exposed to credit risk in accordance with the Measures for the Risk-based Classification of Financial Assets by Commercial Banks (Decree [2023] No. 1 of the CBIRC and the PBC). The Bank has formulated the Administrative Measures for Risk Classification of Financial Assets of China Minsheng Banking Corporation Limited to classify its financial assets by their risk level into five categories, namely, Normal, Special-Mention, Substandard, Doubtful and Loss, with assets classified into the latter three categories collectively referred to as "non-performing assets" to clarify the three-level procedures of "initial classification, affirmation and approval" for risk classification, and strictly conduct risk classification management.

The Group continues to deepen credit risk management empowered by technology, build an intelligent risk control system based on big data, artificial intelligence and other technologies, so as to promote the transformation of credit risk management to digital intelligence, and constantly improve the accuracy, foresight, proactivity and effectiveness of credit risk management.

The Group requires clients to provide collateral/pledges or guarantee when appropriate. The Group has established a management system and operating process for collateral and pledges. The Group continues to monitor the value, structure and legal contracts of collateral and pledges to ensure that they can continue to perform the intended purpose and comply with market practices.

10.2 Credit risk (continued)

(1) *Expected Credit Loss (“ECL”) measurement*

According to the IFRS 9: Financial Instruments, the Group classifies its financial instruments into three stages for the purpose of ECL measurement and applies the ECL model to calculate credit loss provisions for on-balance sheet financial instruments that are exposed to credit risk and measured either at amortised cost or at fair value through other comprehensive income, such as loans, debt securities, balances with banks and other financial institutions, account receivables, lease receivables, and other debt investments, as well as off-balance sheet financial instruments that are exposed to credit risk, such as financial guarantee contracts and loan commitments.

The Group adopts the parameters-based approach and the discounted cash flow (“DCF”) method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group regularly reviews and optimises its expected credit loss model, and makes timely updates to the forward-looking information and relevant parameters in accordance with the requirements of *Implementation Rules on Expected Credit Loss Approach of Commercial Banks* (CBIRC [2022] No.10) and internal relevant management system.

(a) *Financial instrument risk stages*

The Group applies a “three-stage model” for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1:	Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.
Stage 2:	For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.
Stage 3:	For financial assets with objective evidence of impairment as at the end of reporting period, expected credit losses are recognised for the remaining lifetime.

(b) *Criteria for significant increases in credit risk (“SICR”)*

The Group assesses, at each reporting period end, whether or not the credit risk of relevant financial instruments has increased significantly since their initial recognition. In order to determine whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and supportable information that is available without undue cost or effort and sets qualitative and quantitative criteria accordingly. The quantitative criteria include overdue days of the principal or interest for more than 30 days, credit asset classified as special-mention, the absolute level or relative change of Probability of Default in excess of the preset thresholds, among others; and the qualitative criteria mainly cover the regulatory and business environments, the borrowers’ repayment ability, borrowers’ operation capability, borrowers’ repayment behaviors, and forward-looking information, among others.

10.2 Credit risk (continued)

(1) *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 risk exposures*

For the purpose of expected credit loss measurement, the Group classifies exposures with similar credit risk characteristics into segmentation. The Group segments corporate financial assets mainly according to the borrower types and the industry in which they operate, and retail assets mainly according to product types, and the Group reviews the appropriateness of its risk grouping and makes corrections to the grouping results on an annual basis.

(e) *Parameters for ECL measurement*

Except for credit-impaired financial assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument according to whether there is a significant increase in credit risk. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower’s point-in-time probability of default under the current macroeconomic environment;

10.2 Credit risk (continued)

(1) Expected Credit Loss (“ECL”) measurement (continued)

(e) Parameters for ECL measurement (continued)

- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;
- EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet credit risk conversion factor etc., and may vary by product types.

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the quarterly year-on-year (Y/Y) growth rates of Gross Domestic Product (GDP), Broad Money Supply (M2) and Consumer Price Index (CPI) respectively. The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indicators for ECL calculation.

As at 30 June 2025, the Group has considered different macroeconomic scenarios, and the main economic indicators with predicted ranges in estimating ECL are set out as below:

Variables	Range
Quarterly Y/Y growth rate of GDP	3.7%~6.2%
Quarterly Y/Y growth rate of M2	5.7%~8.4%
Quarterly Y/Y growth rate of CPI	-1.2%~1.4%

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 2025 and 31 December 2024, 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.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(2) *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 2025	31 December 2024
Balances with central bank	280,204	280,189
Balances with banks and other financial institutions	144,879	117,731
Placements with banks and other financial institutions	162,928	186,456
Derivative financial assets	24,132	30,283
Financial assets held under resale agreements	34,808	76,958
Loans and advances to customers	4,413,765	4,396,036
Financial investments		
– Financial assets at fair value through profit or loss	200,307	198,323
– Financial assets measured at amortised cost	1,385,594	1,480,798
– Financial assets at fair value through other comprehensive income	580,318	532,935
Long-term receivables	104,677	112,382
Other financial assets	32,675	31,382
Total	7,364,287	7,443,473
Off-balance sheet credit commitments	1,464,182	1,370,904
Maximum credit risk exposure	8,828,469	8,814,377

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(3) Analysis on the credit quality of financial instruments

- (a) As at 30 June 2025, 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	280,204	–	–	280,204	–	–	–	–
Balances with banks and other financial institutions	144,887	–	–	144,887	(8)	–	–	(8)
Placements with banks and other financial institutions	163,384	–	1,193	164,577	(456)	–	(1,193)	(1,649)
Financial assets held under resale agreements	34,419	–	435	34,854	(1)	–	(45)	(46)
Loans and advances to customers								
– Corporate loans and advances	2,567,308	140,465	54,704	2,762,477	(19,533)	(15,285)	(24,012)	(58,830)
– Personal loans and advances	1,675,211	38,156	33,036	1,746,403	(6,322)	(9,257)	(21,407)	(36,986)
Financial investments	1,939,414	6,424	33,111	1,978,949	(2,079)	(480)	(10,478)	(13,037)
Long-term receivables	97,225	3,954	6,260	107,439	(597)	(406)	(1,759)	(2,762)
Off-balance sheet credit commitments	1,463,240	891	51	1,464,182	(967)	(27)	(4)	(998)

- (b) As at 31 December 2024, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	280,189	–	–	280,189	–	–	–	–
Balances with banks and other financial institutions	117,733	–	–	117,733	(2)	–	–	(2)
Placements with banks and other financial institutions	186,748	–	1,193	187,941	(292)	–	(1,193)	(1,485)
Financial assets held under resale agreements	76,570	–	435	77,005	(2)	–	(45)	(47)
Loans and advances to customers								
– Corporate loans and advances	2,510,263	148,392	55,046	2,713,701	(18,897)	(15,094)	(22,800)	(56,791)
– Personal loans and advances	1,711,099	31,695	31,945	1,774,739	(7,746)	(7,932)	(20,660)	(36,338)
Financial investments	1,985,681	5,902	36,047	2,027,630	(2,359)	(412)	(11,126)	(13,897)
Long-term receivables	105,296	3,851	6,097	115,244	(675)	(413)	(1,774)	(2,862)
Off-balance sheet credit commitments	1,365,627	5,275	2	1,370,904	(1,008)	(49)	(1)	(1,058)

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(4) Loans and advances to customers

- (a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	30 June 2025	31 December 2024
Stage 1		
Unsecured loans	1,369,005	1,312,326
Guaranteed loans	873,599	802,071
Loans secured by		
Tangible assets other than monetary assets	1,638,998	1,628,526
Monetary assets	340,135	460,957
Subtotal	4,221,737	4,203,880
Stage 2		
Unsecured loans	26,694	18,638
Guaranteed loans	22,313	21,989
Loans secured by		
Tangible assets other than monetary assets	83,815	89,928
Monetary assets	27,688	29,179
Subtotal	160,510	159,734
Stage 3		
Unsecured loans	21,859	20,305
Guaranteed loans	16,171	14,512
Loans secured by		
Tangible assets other than monetary assets	37,025	40,883
Monetary assets	12,572	11,166
Subtotal	87,627	86,866
Total	4,469,874	4,450,480
Credit-impaired loans secured by collateral	19,298	19,117

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(4) Loans and advances to customers (continued)

- (b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	30 June 2025		31 December 2024	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	588,427	13.16	547,070	12.29
Manufacturing	485,863	10.87	508,464	11.42
Real estate	332,648	7.44	333,439	7.49
Wholesale and retail	288,505	6.45	295,899	6.65
Transportation, storage and postal services	191,745	4.29	171,065	3.85
Water, environment and public utilities management	175,289	3.92	165,256	3.71
Production and supply of electric power, heat, gas and water	148,886	3.33	136,116	3.06
Financial services	137,806	3.08	173,059	3.89
Construction	128,517	2.88	125,336	2.82
Mining	68,278	1.53	64,345	1.45
Information transmission, software and IT services	56,711	1.27	45,895	1.03
Scientific research and technical service	43,856	0.98	39,153	0.88
Agriculture, forestry, animal husbandry and fishery	26,212	0.59	22,837	0.51
Others	54,496	1.22	51,987	1.17
Subtotal	2,727,239	61.01	2,679,921	60.22
Personal loans and advances	1,742,635	38.99	1,770,559	39.78
Total	4,469,874	100.00	4,450,480	100.00

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(4) Loans and advances to customers (continued)

- (c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	30 June 2025		31 December 2024	
	Amount	(%)	Amount	(%)
Head Office	457,948	10.25	487,000	10.94
Yangtze River Delta	1,185,370	26.52	1,155,778	25.97
Pearl River Delta	724,478	16.21	710,655	15.97
Bohai Rim	690,692	15.45	693,598	15.58
Western Region	685,311	15.33	680,003	15.28
Central Region	504,479	11.29	510,355	11.47
Northeastern Region	92,682	2.07	91,780	2.06
Overseas and subsidiaries	128,914	2.88	121,311	2.73
Total	4,469,874	100.00	4,450,480	100.00

(5) Rescheduled loans and advances

Rescheduled loans and advances to customers are those loans and advances for which, due to financial difficulties on the part of the borrowers, the Group has made modifications to the contract terms that are favourable to the borrowers, or has entered into refinancing arrangements with the borrowers, including borrowing for repaying or additional debt financing, etc., to facilitate the borrowers to meet their repayment obligations. As at 30 June 2025, the amount of the Group's rescheduled loans and advances to customers is RMB27,226 million (31 December 2024: RMB26,401 million)

Rescheduled loans and advances which were not past due or past due for no more than 90 days are as follows:

	30 June 2025	31 December 2024
Loans and advances to customers	18,681	18,680
Ratio of total loans and advances to customers (%)	0.42	0.42

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) 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 2025					
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	28,943	–	–	–	–	28,943
– Corporates	2,424	–	–	–	2,083	4,507
Gross balance	<u>31,367</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,083</u>	<u>33,450</u>
Interest accrued						2,660
Less: Allowance for impairment losses of financial assets measured at amortised cost						<u>(8,970)</u>
Subtotal						<u>27,140</u>
Not impaired						
– Government	634,926	665,123	71	1,664	46	1,301,830
– Policy banks	105,217	–	–	6,235	–	111,452
– Banks and non-bank financial institutions	106,807	127,969	2,822	1,925	8,835	248,358
– Corporates	92,752	145,330	11,578	4,169	5,515	259,344
Gross balance	<u>939,702</u>	<u>938,422</u>	<u>14,471</u>	<u>13,993</u>	<u>14,396</u>	<u>1,920,984</u>
Interest accrued						19,150
Less: Allowance for impairment losses of financial assets measured at amortised cost						<u>(1,362)</u>
Subtotal						<u>1,938,772</u>
Total						<u>1,965,912</u>

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(6) Distribution of debt instruments analysed by issuers and rating

	31 December 2024					
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	31,033	–	–	–	–	31,033
– Corporates	3,433	–	–	594	1,399	5,426
Gross balance	<u>34,466</u>	<u>–</u>	<u>–</u>	<u>594</u>	<u>1,399</u>	<u>36,459</u>
Interest accrued						3,797
Less: Allowance for impairment losses of financial assets measured at amortised cost						<u>(9,818)</u>
Subtotal						<u>30,438</u>
Not impaired						
– Government	618,539	727,991	41	34	–	1,346,605
– Policy banks	106,435	–	1,171	–	–	107,606
– Banks and non-bank financial institutions	87,736	149,940	–	423	420	238,519
– Corporates	76,647	182,807	8,810	2,400	688	271,352
Gross balance	<u>889,357</u>	<u>1,060,738</u>	<u>10,022</u>	<u>2,857</u>	<u>1,108</u>	<u>1,964,082</u>
Interest accrued						20,844
Less: Allowance for impairment losses of financial assets measured at amortised cost						<u>(1,630)</u>
Subtotal						<u>1,983,296</u>
Total						<u>2,013,734</u>

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates and bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

10 FINANCIAL RISK MANAGEMENT (continued)

10.2 Credit risk (continued)

(7) *Investments classified as trust and asset management plans analysed by type of underlying assets*

	30 June 2025	31 December 2024
Trust and asset management plans		
Credit assets	24,709	27,173
Bonds and others	20,842	18,254
Total	45,551	45,427

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments, foreign exchange and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

10.3 Market risk (continued)

(1) *Market risk measurement techniques*

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Exchange rate risk of trading books arises from currency exposure conducted for customers, market making, proprietary trading, foreign exchange and foreign exchange derivative financial instrument transactions for the purpose of obtaining spreads or locking in arbitrage. The Bank measures exchange rate risk indicators through the identification of exchange rate risk factors and comprehensively evaluates the impact of changes in risk factors on each portfolio, product category and the Bank's profit and loss situation.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) *Currency risk*

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest are mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

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 2025				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	278,986	5,697	249	251	285,183
Balances with banks and other financial institutions	105,847	32,412	2,199	4,421	144,879
Placements with banks and other financial institutions	120,718	31,160	2,886	8,164	162,928
Financial assets held under resale agreements	34,808	–	–	–	34,808
Loans and advances to customers	4,263,152	89,237	38,740	22,636	4,413,765
Financial investments	2,186,829	137,041	8,649	16,347	2,348,866
Long-term receivables	92,394	12,283	–	–	104,677
Other assets	183,780	60,250	4,194	25,591	273,815
Total assets	7,266,514	368,080	56,917	77,410	7,768,921
Liabilities:					
Borrowings from central bank	250,488	–	–	–	250,488
Deposits and placements from banks and other financial institutions	697,692	65,054	19,533	21,775	804,054
Borrowings from banks and other financial institutions	67,613	39,640	1,249	1	108,503
Financial assets sold under repurchase agreements	241,435	9,361	1,513	143	252,452
Deposits from customers	4,126,597	222,042	17,662	15,786	4,382,087
Debt securities issued	1,044,635	5,338	–	–	1,049,973
Lease liabilities	8,542	–	61	11	8,614
Other liabilities	155,605	13,596	2,689	38,548	210,438
Total liabilities	6,592,607	355,031	42,707	76,264	7,066,609
Net position	673,907	13,049	14,210	1,146	702,312
Foreign currency derivatives	113,712	(36,450)	(59,345)	(10,888)	7,029
Off-balance sheet credit commitments	1,406,448	49,852	4,847	3,035	1,464,182

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(2) Currency risk (continued)

	31 December 2024				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	279,339	5,575	329	206	285,449
Balances with banks and other financial institutions	78,897	34,816	1,580	2,438	117,731
Placements with banks and other financial institutions	138,831	32,755	2,492	12,378	186,456
Financial assets held under resale agreements	76,958	–	–	–	76,958
Loans and advances to customers	4,244,613	90,923	39,056	21,444	4,396,036
Financial investments	2,251,474	128,357	5,634	13,237	2,398,702
Long-term receivables	97,766	14,616	–	–	112,382
Other assets	163,268	41,570	5,217	31,200	241,255
Total assets	7,331,146	348,612	54,308	80,903	7,814,969
Liabilities:					
Borrowings from central bank	261,108	–	–	–	261,108
Deposits and placements from banks and other financial institutions	970,311	67,786	15,862	19,747	1,073,706
Borrowings from banks and other financial institutions	72,270	37,538	2,185	–	111,993
Financial assets sold under repurchase agreements	236,285	8,038	3,783	18	248,124
Deposits from customers	4,082,728	213,036	15,357	21,560	4,332,681
Debt securities issued	938,863	2,162	–	–	941,025
Lease liabilities	8,979	–	85	14	9,078
Other liabilities	171,513	7,631	1,192	350	180,686
Total liabilities	6,742,057	336,191	38,464	41,689	7,158,401
Net position	589,089	12,421	15,844	39,214	656,568
Foreign currency derivatives	57,707	11,407	(14,746)	(47,732)	6,636
Off-balance sheet credit commitments	1,317,138	48,877	2,395	2,494	1,370,904

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 statement of profit or loss of potential movements in foreign currency exchange rates against the RMB. As at 30 June 2025, 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 RMB213 million (31 December 2024 with 1% appreciation of the US dollar against the RMB would increase both the Group's net profit and equity by RMB506 million); with 1% depreciation of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB213 million (31 December 2024: decrease by RMB506 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.

10.3 Market risk (continued)

(3) *Interest rate risk*

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

(a) *The trading books*

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyse 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.

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (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 2025						Total
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Assets:							
Cash and balances with central bank	280,102	–	–	–	–	5,081	285,183
Balances with banks and other financial institutions	139,253	1,744	3,772	–	–	110	144,879
Placements with banks and other financial institutions	18,625	19,179	93,038	31,675	–	411	162,928
Financial assets held under resale agreements	34,777	–	–	–	–	31	34,808
Loans and advances to customers	917,267	1,084,990	1,584,834	681,200	106,468	39,006	4,413,765
Financial investments	42,178	74,495	441,974	966,296	593,514	230,409	2,348,866
Long-term receivables	5,268	7,677	31,616	42,385	17,731	–	104,677
Other assets	249	1	416	1,910	–	271,239	273,815
Total assets	1,437,719	1,188,086	2,155,650	1,723,466	717,713	546,287	7,768,921
Liabilities:							
Borrowings from central bank	4,192	53,418	190,115	–	–	2,763	250,488
Deposits and placements from banks and other financial institutions	627,519	74,954	98,441	–	–	3,140	804,054
Borrowings from banks and other financial institutions	43,955	14,485	46,574	1,510	1,372	607	108,503
Financial assets sold under repurchase agreements	172,205	44,069	35,785	–	–	393	252,452
Deposits from customers	1,974,096	401,185	954,393	981,043	285	71,085	4,382,087
Debt securities issued	107,102	343,169	492,072	36,937	69,996	697	1,049,973
Lease liabilities	213	504	1,921	5,016	960	–	8,614
Other liabilities	227	39,026	996	–	–	170,189	210,438
Total liabilities	2,929,509	970,810	1,820,297	1,024,506	72,613	248,874	7,066,609
Interest rate gap	(1,491,790)	217,276	335,353	698,960	645,100	297,413	702,312

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

	31 December 2024						
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:							
Cash and balances with central bank	280,068	–	–	–	–	5,381	285,449
Balances with banks and other financial institutions	111,066	2,455	4,100	–	–	110	117,731
Placements with banks and other financial institutions	133,978	21,264	25,514	4,961	272	467	186,456
Financial assets held under resale agreements	76,926	–	–	–	–	32	76,958
Loans and advances to customers	926,458	1,036,212	1,567,709	686,091	141,607	37,959	4,396,036
Financial investments	76,120	75,079	319,582	1,015,643	658,311	253,967	2,398,702
Long-term receivables	7,400	8,832	34,321	53,456	8,373	–	112,382
Other assets	402	–	797	971	–	239,085	241,255
Total assets	1,612,418	1,143,842	1,952,023	1,761,122	808,563	537,001	7,814,969
Liabilities:							
Borrowings from central bank	10,002	55,676	193,389	–	–	2,041	261,108
Deposits and placements from banks and other financial institutions	556,380	174,774	337,920	–	–	4,632	1,073,706
Borrowings from banks and other financial institutions	40,910	25,318	42,300	2,538	–	927	111,993
Financial assets sold under repurchase agreements	60,942	97,821	88,876	–	–	485	248,124
Deposits from customers	1,979,580	410,504	845,692	1,013,107	212	83,586	4,332,681
Debt securities issued	15,440	202,312	609,895	30,970	79,994	2,414	941,025
Lease liabilities	225	512	2,007	5,340	994	–	9,078
Other liabilities	150	9,834	1,884	–	–	168,818	180,686
Total liabilities	2,663,629	976,751	2,121,963	1,051,955	81,200	262,903	7,158,401
Interest rate gap	(1,051,211)	167,091	(169,940)	709,167	727,363	274,098	656,568

10 FINANCIAL RISK MANAGEMENT (continued)

10.3 Market risk (continued)

(3) Interest rate risk (continued)

If yield curves for respective currencies move in parallel for 100 basis points at the end of the reporting period, their potential impact on the Group's net interest income and shareholders' equity for the following 12 months is as follows:

	30 June 2025	31 December 2024
	(Loss)/Gain	(Loss)/Gain
Up 100 bps parallel shift in yield curves	(10,870)	(6,269)
Down 100 bps parallel shift in yield curves	10,870	6,269

In performing the interest rate sensitivity analysis, the Group 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.

10.4 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.

10.4 Liquidity risk (continued)

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) *Liquidity risk management policy*

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Asset and Liability and Financial Management Department is responsible for the daily liquidity risk management through the following procedures:

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.

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 2025							
	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	225,816	59,367	-	-	-	-	-	285,183
Balances with banks and other financial institutions	-	135,042	4,321	1,744	3,772	-	-	144,879
Placements with banks and other financial institutions	-	-	18,698	19,207	93,279	31,744	-	162,928
Financial assets held under resale agreements	411	-	34,397	-	-	-	-	34,808
Loans and advances to customers	53,901	10,314	288,454	244,914	1,245,581	1,332,426	1,238,175	4,413,765
Financial investments	209,478	-	43,059	75,201	446,398	976,004	598,726	2,348,866
Long-term receivables	8,032	2,019	5,839	7,677	30,100	39,593	11,417	104,677
Other assets	224,759	1,376	10,417	7,723	16,092	11,799	1,649	273,815
Total assets	722,397	208,118	405,185	356,466	1,835,222	2,391,566	1,849,967	7,768,921
Liabilities:								
Borrowings from central bank	-	-	4,256	54,241	191,991	-	-	250,488
Deposits and placements from banks and other financial institutions	-	581,879	48,432	75,179	98,564	-	-	804,054
Borrowings from banks and other financial institutions	-	-	19,516	16,985	57,295	7,925	6,782	108,503
Financial assets sold under repurchase agreements	-	-	172,448	44,196	35,808	-	-	252,452
Deposits from customers	-	1,795,188	213,459	407,611	969,231	996,598	-	4,382,087
Debt securities issued	-	-	107,172	343,169	492,699	36,937	69,996	1,049,973
Lease liabilities	-	-	213	504	1,921	5,016	960	8,614
Other liabilities	1,837	160,515	9,471	16,073	10,891	9,606	2,045	210,438
Total liabilities	1,837	2,537,582	574,967	957,958	1,858,400	1,056,082	79,783	7,066,609
Net position	720,560	(2,329,464)	(169,782)	(601,492)	(23,178)	1,335,484	1,770,184	702,312
Notional amount of derivatives	-	-	1,214,087	1,096,887	5,174,670	227,189	2,015	7,714,848

10 FINANCIAL RISK MANAGEMENT (continued)

10.4 Liquidity risk (continued)

(2) Maturity analysis (continued)

	31 December 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	242,628	42,821	–	–	–	–	–	285,449
Balances with banks and other financial institutions	–	107,158	4,018	2,455	4,100	–	–	117,731
Placements with banks and other financial institutions	–	–	31,388	67,959	78,664	8,169	276	186,456
Financial assets held under resale agreements	411	–	76,547	–	–	–	–	76,958
Loans and advances to customers	53,736	8,030	340,287	309,522	1,292,316	1,225,148	1,166,997	4,396,036
Financial investments	221,567	–	78,571	71,247	328,554	1,034,130	664,633	2,398,702
Long-term receivables	7,319	1,146	1,469	1,700	14,313	74,858	11,577	112,382
Other assets	188,269	358	10,921	10,400	19,012	10,769	1,526	241,255
Total assets	713,930	159,513	543,201	463,283	1,736,959	2,353,074	1,845,009	7,814,969
Liabilities:								
Borrowings from central bank	–	–	10,247	56,793	194,068	–	–	261,108
Deposits and placements from banks and other financial institutions	–	455,080	105,466	175,038	338,122	–	–	1,073,706
Borrowings from banks and other financial institutions	–	–	20,087	26,874	47,689	13,194	4,149	111,993
Financial assets sold under repurchase agreements	–	–	61,078	98,073	88,973	–	–	248,124
Deposits from customers	–	1,805,555	213,072	418,649	862,226	1,033,179	–	4,332,681
Debt securities issued	–	–	15,440	202,356	610,111	33,124	79,994	941,025
Lease liabilities	–	–	225	512	2,007	5,340	994	9,078
Other liabilities	1,730	96,185	14,489	30,437	24,108	11,931	1,806	180,686
Total liabilities	1,730	2,356,820	440,104	1,008,732	2,167,304	1,096,768	86,943	7,158,401
Net position	712,200	(2,197,307)	103,097	(545,449)	(430,345)	1,256,306	1,758,066	656,568
Notional amount of derivatives	–	–	819,127	839,096	3,906,470	187,927	1,424	5,754,044

10.4 Liquidity risk (continued)

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than 1 month, and also equity investments and fund investments in financial investments; and repayable on demand with respect to, loans and advances and long-term receivables refer to the unimpaired amounts of such assets that have been overdue for less than 1 month.

	30 June 2025							
	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	225,816	59,367	–	–	–	–	–	285,183
Balances with banks and other financial institutions	–	135,042	4,345	1,764	3,835	–	–	144,986
Placements with banks and other financial institutions	–	–	18,856	19,263	94,026	32,618	–	164,763
Financial assets held under resale agreements	411	–	34,401	–	–	–	–	34,812
Loans and advances to customers	103,949	11,840	392,102	347,873	1,553,670	1,387,873	1,753,729	5,551,036
Financial investments	218,215	–	46,711	83,992	484,657	1,084,435	724,795	2,642,805
Long-term receivables	8,861	2,590	6,077	8,830	34,910	46,221	13,247	120,736
Other assets	228,555	1,376	4,919	1,847	5,014	12,321	1,615	255,647
Total assets (expected maturity date)	785,807	210,215	507,411	463,569	2,176,112	2,563,468	2,493,386	9,199,968
Liabilities:								
Borrowings from central bank	–	–	4,260	54,496	193,860	–	–	252,616
Deposits and placements from banks and other financial institutions	–	582,630	48,481	75,408	98,895	–	–	805,414
Borrowings from banks and other financial institutions	–	–	19,536	17,097	58,179	8,044	6,827	109,683
Financial assets sold under repurchase agreements	–	–	172,558	44,182	36,049	–	–	252,789
Deposits from customers	–	1,795,188	213,995	408,818	973,771	1,006,269	–	4,398,041
Debt securities issued	–	–	107,287	344,192	499,793	45,057	77,700	1,074,029
Lease liabilities	–	–	219	519	1,979	5,169	990	8,876
Other liabilities	1,837	237,575	9,471	16,073	10,891	9,606	2,045	287,498
Total liabilities (contractual maturity date)	1,837	2,615,393	575,807	960,785	1,873,417	1,074,145	87,562	7,188,946

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 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	242,628	42,821	–	–	–	–	–	285,449
Balances with banks and other financial institutions	–	107,158	4,023	2,455	4,100	–	–	117,736
Placements with banks and other financial institutions	1,199	–	31,506	69,257	80,380	8,173	545	191,060
Financial assets held under resale agreements	411	–	76,560	–	–	–	–	76,971
Loans and advances to customers	95,605	10,687	360,417	360,612	1,463,356	1,522,870	1,692,957	5,506,504
Financial investments	238,652	–	81,848	80,284	368,098	1,144,083	789,297	2,702,262
Long-term receivables	8,767	1,349	1,578	1,753	15,209	85,792	15,021	129,469
Other assets	183,042	358	5,403	1,552	4,502	9,470	1,418	205,745
Total assets (expected maturity date)	<u>770,304</u>	<u>162,373</u>	<u>561,335</u>	<u>515,913</u>	<u>1,935,645</u>	<u>2,770,388</u>	<u>2,499,238</u>	<u>9,215,196</u>
Liabilities:								
Borrowings from central bank	–	–	10,258	57,048	197,279	–	–	264,585
Deposits and placements from banks and other financial institutions	–	455,522	105,528	175,275	338,321	–	–	1,074,646
Borrowings from banks and other financial institutions	–	–	20,111	27,167	48,371	13,871	4,465	113,985
Financial assets sold under repurchase agreements	–	–	61,185	98,470	89,893	–	–	249,548
Deposits from customers	–	1,805,555	213,319	419,644	865,154	1,062,311	–	4,365,983
Debt securities issued	–	–	15,450	203,164	617,257	33,502	96,125	965,498
Lease liabilities	–	–	243	552	2,165	5,759	1,072	9,791
Other liabilities	1,730	96,185	6,266	20,025	9,959	10,654	1,794	146,613
Total liabilities (contractual maturity date)	<u>1,730</u>	<u>2,357,262</u>	<u>432,360</u>	<u>1,001,345</u>	<u>2,168,399</u>	<u>1,126,097</u>	<u>103,456</u>	<u>7,190,649</u>

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 2025						
	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	(3,011)	(2,942)	(2,343)	58	–	(8,238)
Interest rate derivatives	53	234	323	254	4	868
Credit derivatives	22	107	–	283	–	412
Total	<u>(2,936)</u>	<u>(2,601)</u>	<u>(2,020)</u>	<u>595</u>	<u>4</u>	<u>(6,958)</u>
31 December 2024						
	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	364	6,828	(6,148)	2,486	–	3,530
Interest rate derivatives	(115)	(32)	627	165	8	653
Credit derivatives	20	–	60	167	–	247
Total	<u>269</u>	<u>6,796</u>	<u>(5,461)</u>	<u>2,818</u>	<u>8</u>	<u>4,430</u>

(b) Derivatives settled on a gross basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards and swaps

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.

	30 June 2025					
	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	(1,013,165)	(932,094)	(2,537,932)	(188,285)	–	(4,671,476)
– Cash inflow	1,012,235	932,644	2,539,385	188,876	–	4,673,140
Precious metal derivatives						
– Cash outflow	(40,354)	(20,883)	(30,849)	–	–	(92,086)
– Cash inflow	42,169	26,877	30,458	–	–	99,504
Total cash outflow	<u>(1,053,519)</u>	<u>(952,977)</u>	<u>(2,568,781)</u>	<u>(188,285)</u>	<u>–</u>	<u>(4,763,562)</u>
Total cash inflow	<u>1,054,404</u>	<u>959,521</u>	<u>2,569,843</u>	<u>188,876</u>	<u>–</u>	<u>4,772,644</u>
	31 December 2024					
	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	(503,079)	(620,948)	(1,486,938)	(156,924)	–	(2,767,889)
– Cash inflow	504,851	623,048	1,491,178	157,124	–	2,776,201
Precious metal derivatives						
– Cash outflow	(25,742)	(23,868)	(25,038)	–	–	(74,648)
– Cash inflow	25,752	23,942	25,105	–	–	74,799
Total cash outflow	<u>(528,821)</u>	<u>(644,816)</u>	<u>(1,511,976)</u>	<u>(156,924)</u>	<u>–</u>	<u>(2,842,537)</u>
Total cash inflow	<u>530,603</u>	<u>646,990</u>	<u>1,516,283</u>	<u>157,124</u>	<u>–</u>	<u>2,851,000</u>

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.

	30 June 2025			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	563,174	–	–	563,174
Letters of credit	176,997	446	–	177,443
Guarantees	89,897	44,628	791	135,316
Unused credit card commitments	525,419	–	–	525,419
Irrevocable credit commitments	47,183	14,943	704	62,830
Total	1,402,670	60,017	1,495	1,464,182
	31 December 2024			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	518,662	–	–	518,662
Letters of credit	140,779	297	–	141,076
Guarantees	93,416	40,819	982	135,217
Unused credit card commitments	519,213	–	–	519,213
Irrevocable credit commitments	42,278	13,598	860	56,736
Total	1,314,348	54,714	1,842	1,370,904

10.5 Operational risk

Operational risk refers to the risk of loss resulting from issues related to internal procedures, personnel and information technology (IT) systems, or external events. Operational risk includes legal risks but excludes strategic and reputation risks. The types of operational risk loss events within the Bank mainly include internal and external fraud, employment system and workplace safety events, events related to clients, products and business practices, damage to physical assets, IT system failures, as well as implementation, delivery and process management events.

During the reporting period, the Bank keeps promoting the implementation of the construction plan for its operational risk management system. It fully explored and found more clues and relevant information on loss data, so as to conducted data tracking, cleaning and supplementary reporting on historical loss data across the Group, and it standardised the identification, collection, and processing procedures for operational risk loss data to ensure the collected results meet the regulatory requirements of comprehensiveness, accuracy, and high quality, while controlling the operational risk loss rate within the risk appetite limit. The Bank improved the calculation logic for business indicators under the standardised approach for operational risk, designed the differential treatment methods for the internal loss multiplier (ILM) under different circumstances, implemented the regulatory capital measurement under the new standardised approach while gradually improving the level of measurement automation. To strengthen the management mechanism for the operational risk stress test, the Bank printed and distributed detailed implementation rules to clarify workflow and methods. The Bank identified and assessed operational risk, monitored indicators, optimised the operational risk management system, so as to forge a solid foundation for operational risk management. Additionally, the Bank strengthened the connection between operational risk management and outsourcing risk management, business continuity management, and dynamically updated the scope of outsourcing activities, risk assessment guidelines, and admission conditions. The Bank has also launched a new round of business continuity impact analysis to optimise the business materiality level assessment model, and promote the stable and sustainable business operations.

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of policies to accrue country risk reserve.

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2024, the Group computes the capital adequacy ratios in accordance with The Capital Rules for Commercial Banks and other relevant regulations. The credit risk-weighted assets are measured using the weighting method. The risk weights for on-balance sheet assets are determined in accordance with Appendix 2 and Appendix 3 of The Capital Rules for Commercial Banks, taking into account the risk mitigation effect provided by qualified collateral or qualified guarantors. The off-balance sheet items are measured by multiplying the nominal amounts by the credit conversion factors to obtain the equivalent on-balance sheet assets, which are then treated in the same manner as on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated using the standardized approach. Operational risk-weighted assets are also calculated using the standardized approach.

The Group's capital adequacy ratios are calculated in accordance with The Capital Rules for Commercial Banks 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. The Group's capital management, while meeting regulatory requirements and enhancing risk resilience, focuses on strengthening capital budgeting, allocation, and performance evaluation, optimizing business structure, improving capital efficiency, and creating value.

As of 30 June 2025, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio, and capital adequacy ratio all comply with the requirements of The Capital Rules for Commercial Banks and other relevant regulations. For more information on capital, please refer to the 2025 Interim Report on Third Pillar Information Disclosure of China Minsheng Banking Corp., Ltd. in the section headed "Investors Relations – Announcements and Disclosures – Regulatory Capital" on the Bank's website (www.cmbc.com.cn).

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.
- Level 2: The debt securities classified as level 2 are RMB bonds and foreign currency bonds. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Other financial instruments classified as level 2 include derivative contracts, discounted bills and forfaiting, which are valued using discounted cash flow method and Blair-Scholes model, etc. All significant valuation parameters are obtained from observable market information.
- Level 3: Financial instruments classified as level 3 include equity instruments and debt instruments, whose valuation involves one or more significant unobservable inputs, mainly including right of trust benefit, non-listed equities, subordinated tranches of asset-backed securities, convertible bonds, and asset management plans, etc. The valuation techniques used include discounted cash flow method, market approach and income approach, etc. Unobservable inputs for valuation models include discount rates and discounts for lack of marketability (DLOM), etc.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

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 2025				
	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	–	171,763	2,050	173,813
Equity investments	1,046	4,592	16,432	22,070
Investment funds	79,701	71,469	1,587	152,757
Trust and asset management plans	–	15,204	5,638	20,842
Others	4,687	80	886	5,653
Financial assets at fair value through other comprehensive income				
Debt securities	–	579,329	989	580,318
Equity investments	67	1,528	6,224	7,819
Loans and advances to customers at fair value through other comprehensive income	–	143,649	–	143,649
Derivative financial assets				
Foreign exchange derivatives	–	20,344	30	20,374
Interest rate derivatives	–	1,362	–	1,362
Precious metal derivatives	–	2,356	–	2,356
Others	–	40	–	40
Total	85,501	1,011,716	33,836	1,131,053
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(20,167)	–	(20,167)
Interest rate derivatives	–	(1,093)	–	(1,093)
Precious metal derivatives	–	(10,181)	–	(10,181)
Others	–	(2)	–	(2)
Financial liabilities at fair value through profit or loss	–	(68,626)	(18)	(68,644)
Total	–	(100,069)	(18)	(100,087)

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

11.1 Financial instruments recorded at fair value (continued)

	31 December 2024			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	174,206	2,005	176,211
Equity investments	1,020	1,655	14,561	17,236
Investment funds	90,908	69,423	1,567	161,898
Trust and asset management plans	–	12,603	5,651	18,254
Others	2,807	101	950	3,858
Financial assets at fair value through other comprehensive income				
Debt securities	–	532,060	875	532,935
Equity investments	68	1,469	5,975	7,512
Loans and advances to customers at fair value through other comprehensive income	–	232,509	–	232,509
Derivative financial assets				
Foreign exchange derivatives	–	26,568	–	26,568
Interest rate derivatives	–	1,844	–	1,844
Precious metal derivatives	–	1,839	–	1,839
Others	–	32	–	32
Total	94,803	1,054,309	31,584	1,180,696
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(25,516)	(14)	(25,530)
Interest rate derivatives	–	(687)	–	(687)
Precious metal derivatives	–	(7,856)	–	(7,856)
Others	–	–	–	–
Financial liabilities at fair value through profit or loss	–	(43,197)	(31)	(43,228)
Total	–	(77,256)	(45)	(77,301)

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 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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 2025							
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Derivative financial assets	Total assets	Financial assets at fair value through profit or loss liabilities	Derivative financial liabilities	Total liabilities
		Debt securities	Equity securities					
As at 1 January 2025	24,734	875	5,975	–	31,584	31	14	45
Total gains/(losses)								
In profit or loss	4,391	(148)	–	–	4,243	–	–	–
In other comprehensive income	–	(144)	249	–	105	–	–	–
Purchase/transfer in	950	406	–	30	1,386	–	–	–
Settlement/transfer out	(3,482)	–	–	–	(3,482)	(13)	(14)	(27)
As at 30 June 2025	<u>26,593</u>	<u>989</u>	<u>6,224</u>	<u>30</u>	<u>33,836</u>	<u>18</u>	<u>–</u>	<u>18</u>
Total realised gains included in the consolidated statement of profit or loss	<u>187</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>187</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total unrealised gains/(losses) included in the consolidated statement of profit or loss	<u>4,204</u>	<u>(148)</u>	<u>–</u>	<u>–</u>	<u>4,056</u>	<u>–</u>	<u>–</u>	<u>–</u>
	Year ended 31 December 2024							
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total assets	Financial assets at fair value through profit or loss liabilities	Derivative financial liabilities	Total liabilities	
		Debt securities	Equity securities					
As at 1 January 2024	28,994	940	5,893	35,827	814	–	814	
Total (losses)/gains								
In profit or loss	(2,216)	(126)	–	(2,342)	–	–	–	
In other comprehensive income	–	(269)	82	(187)	–	–	–	
Purchase/transfer in	1,309	360	–	1,669	–	14	14	
Settlement/transfer out	(3,353)	(30)	–	(3,383)	(783)	–	(783)	
As at 31 December 2024	<u>24,734</u>	<u>875</u>	<u>5,975</u>	<u>31,584</u>	<u>31</u>	<u>14</u>	<u>45</u>	
Total realised gains included in the consolidated statement of profit or loss	<u>330</u>	<u>–</u>	<u>–</u>	<u>330</u>	<u>–</u>	<u>–</u>	<u>–</u>	
Total unrealised losses included in the consolidated statement of profit or loss	<u>(2,546)</u>	<u>(126)</u>	<u>–</u>	<u>(2,672)</u>	<u>–</u>	<u>–</u>	<u>–</u>	

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 values of financial investments measured at amortised cost are usually measured based on “bid” market prices or quotations of the brokers’/dealers. If relevant market information is not available, their fair value are based on quoted prices of security products with similar characteristics, such as credit risk, maturity and yield.

- (3) *Debt securities issued*

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

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

		30 June 2025			
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	<u>1,385,594</u>	<u>1,442,926</u>	<u>–</u>	<u>1,403,926</u>	<u>39,000</u>
Financial liabilities					
Debt securities issued	<u>1,049,973</u>	<u>1,037,996</u>	<u>–</u>	<u>1,037,996</u>	<u>–</u>
		31 December 2024			
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	<u>1,480,798</u>	<u>1,529,949</u>	<u>–</u>	<u>1,488,791</u>	<u>41,158</u>
Financial liabilities					
Debt securities issued	<u>941,025</u>	<u>933,371</u>	<u>–</u>	<u>933,371</u>	<u>–</u>

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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of China Minsheng Banking Corp., Ltd.

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

Introduction

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

Scope of Review

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

Conclusion

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

A stylized, handwritten signature of PricewaterhouseCoopers in black ink.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 August 2024

CONDENSED CONSOLIDATED INCOME STATEMENT

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

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



Gao Yingxin
Chairman



Wang Xiaoyong
President



Wen Qiuju
Director



(Company Seal)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Unaudited	Attributable to equity shareholders of the Bank											
	Reserves											Total equity
	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	
Note 4	33	34&35	33	37	37	40	40	40	37		38	
At 31 December 2023	43,782	95,000	58,111	58,805	95,237	1,507	532	(17)	271,645	624,602	13,199	637,801
(I) Net profit	-	-	-	-	-	-	-	-	22,474	22,474	235	22,709
(II) Other comprehensive income, net of tax	-	-	-	-	-	1,920	25	23	-	1,968	68	2,036
Total comprehensive income	-	-	-	-	-	1,920	25	23	22,474	24,442	303	24,745
(III) Capital injection and deduction by equity holders												
1. Capital injection by other equity instrument holders	-	(40,000)	-	-	-	-	-	-	-	(40,000)	-	(40,000)
(IV) Profit distribution												
1. Appropriation to general reserve	-	-	-	-	154	-	-	-	(154)	-	-	-
2. Cash dividends	-	-	-	-	-	-	-	-	(9,457)	(9,457)	(1)	(9,458)
3. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(V) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	2	-	-	(2)	-	-	-
(VI) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(6)	(6)	-	(6)
At 30 June 2024	43,782	55,000	58,111	58,805	95,391	3,429	557	6	281,060	596,141	13,501	609,642

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Unaudited	Attributable to equity shareholders of the Bank											
	Reserves											Total equity
	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	
Note 4	33	34&35	33	37	37	40	40	40	37		38	
At 31 December 2022	43,782	95,000	58,111	55,276	90,494	(1,079)	466	1	257,877	599,928	12,886	612,814
(I) Net profit	-	-	-	-	-	-	-	-	23,777	23,777	195	23,972
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,348	138	39	-	2,525	196	2,721
Total comprehensive income	-	-	-	-	-	2,348	138	39	23,777	26,302	391	26,693
(III) Profit distribution												
1. Appropriation to general reserve	-	-	-	-	179	-	-	-	(179)	-	-	-
2. Cash dividends	-	-	-	-	-	-	-	-	(9,369)	(9,369)	(4)	(9,373)
3. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(IV) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	40	-	-	(40)	-	-	-
(V) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(2)	(2)	(1)	(3)
At 30 June 2023	43,782	95,000	58,111	55,276	90,673	1,309	604	40	268,624	613,419	13,272	626,691

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Cash flows from operating activities:		
Profit before income tax	23,476	24,747
<i>Adjustments for:</i>		
– Credit impairment losses	20,551	22,210
– Other impairment losses	109	732
– Depreciation and amortisation	4,395	4,137
– Gains/Losses on disposal of property and equipment	(327)	28
– Losses from changes in fair value	4,430	2,413
– Net gains on disposal of investment securities	(5,065)	(4,910)
– Interest expense on debt securities issued	9,362	8,350
– Interest expense on lease liabilities	168	165
– Interest income from financial investments	(28,396)	(29,791)
Subtotal	28,703	28,081
<i>Changes in operating assets:</i>		
Net decrease in balances with central bank, banks and other financial institutions	38,219	10,152
Net (increase)/decrease in placements with banks and other financial institutions	(2,185)	7,788
Net decrease/(increase) in financial assets held under resale agreements	14,608	(7,016)
Net increase in loans and advances to customers	(55,966)	(265,774)
Net increase in financial assets held for trading purposes	(11,087)	(27,817)
Net increase in other operating assets	(5,441)	(20,510)
Subtotal	(21,852)	(303,177)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Cash flows from operating activities: (continued)		
<i>Changes in operating liabilities:</i>		
Net (decrease)/increase in borrowings from central bank	(31,317)	35,776
Net (decrease)/increase in deposits from customers	(218,271)	247,934
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(59,626)	51,500
Net (decrease)/increase in financial assets sold under repurchase agreements	(14,745)	27,543
Income tax paid	(2,680)	(3,343)
Net increase in other operating liabilities	35,945	24,317
Subtotal	(290,694)	383,727
Net cash (used in)/generated from operating activities	(283,843)	108,631
Cash flows from investing activities:		
Proceeds from sale and redemption of investments and investment income	1,136,478	833,127
Proceeds from disposal of property and equipment, intangible assets and other long-term assets	1,922	920
Cash payment for investments	(1,099,682)	(833,348)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets	(4,359)	(3,392)
Net cash generated from/(used in) investing activities	34,359	(2,693)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1 General information

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

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

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

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

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

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

2 Basis of preparation

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

3 Summary of material accounting policy information

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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3 Summary of material accounting policy information (*continued*)

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements

4.1 Net interest income

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.2 Net fee and commission income

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

4.3 Net trading gain

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.4 Net gain from investment securities

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

4.5 Net other operating income

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.6 Operating expenses

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

4.7 Credit impairment losses

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.8 Other impairment losses

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

4.9 Income tax expense

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.9 Income tax expense (*continued*)

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

OECD Pillar Two model rules

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

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

4.10 Earnings per share

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.10 Earnings per share (*continued*)

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

4.11 Cash and balances with central bank

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.11 Cash and balances with central bank (continued)

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

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

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

4.12 Balances with banks and other financial institutions

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.13 Placements with banks and other financial institutions

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.14 Derivatives

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)4.14 Derivatives (*continued*)

(2) Hedges

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.14 Derivatives (*continued*)

(3) Credit risk weighted amount

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

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

4.15 Financial assets held under resale agreements

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.16 Loans and advances to customers

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.16 Loans and advances to customers (*continued*)

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.16 Loans and advances to customers (*continued*)

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.16 Loans and advances to customers (*continued*)

(3) Movements in allowance for impairment losses

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

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(26,033)	(25,422)	(45,338)	(96,793)
Transfer:				
to stage 1	(1,710)	1,550	160	–
to stage 2	535	(650)	115	–
to stage 3	91	3,378	(3,469)	–
Net reversal/(charge)	1,575	(3,359)	(16,323)	(18,107)
Write-offs and transfer out	–	–	22,429	22,429
Recoveries of amounts previously written off	–	–	(4,740)	(4,740)
Others	(2)	(2)	1,014	1,010
Balance as at 30 June 2024	(25,544)	(24,505)	(46,152)	(96,201)

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(23,379)	(33,602)	(40,658)	(97,639)
Transfer:				
to stage 1	(3,066)	2,597	469	–
to stage 2	554	(721)	167	–
to stage 3	429	8,901	(9,330)	–
Net charge	(556)	(2,574)	(36,619)	(39,749)
Write-offs and transfer out	–	–	48,161	48,161
Recoveries of amounts previously written off	–	–	(9,343)	(9,343)
Others	(15)	(23)	1,815	1,777
Balance as at 31 December 2023	(26,033)	(25,422)	(45,338)	(96,793)

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For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.16 Loans and advances to customers (*continued*)

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

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

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(199)	(2)	(450)	(651)
Net charge	(1)	(15)	–	(16)
Balance as at 30 June 2024	(200)	(17)	(450)	(667)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.17 Financial investments

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the condensed consolidated financial statements (continued)

4.17 Financial investments (continued)

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.17 Financial investments (*continued*)

(2) Financial assets measured at amortised cost

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.17 Financial investments (*continued*)

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

Movements in allowance for impairment losses

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(2,016)	(340)	(7,854)	(10,210)
Transfer				
to stage 2	6	(214)	208	–
to stage 3	11	17	(28)	–
Net reversal/(charge)	365	72	(2,224)	(1,787)
Write-offs and transfer out	–	–	192	192
Recoveries of amounts previously written off	–	–	(95)	(95)
Others	(1)	–	337	336
Balance as at 30 June 2024	(1,635)	(465)	(9,464)	(11,564)

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(1,500)	(925)	(8,867)	(11,292)
Transfer				
to stage 3	15	485	(500)	–
Net (charge)/reversal	(569)	100	(3,374)	(3,843)
Write-offs and transfer out	–	–	3,981	3,981
Recoveries of amounts previously written off	–	–	(104)	(104)
Others	38	–	1,010	1,048
Balance as at 31 December 2023	(2,016)	(340)	(7,854)	(10,210)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.17 Financial investments (*continued*)

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.17 Financial investments (*continued*)

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

Fair value

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.17 Financial investments *(continued)*

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

Movements in allowance for impairment losses

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(777)	(66)	(1,333)	(2,176)
Transfer:				
to stage 3	–	60	(60)	–
Net reversal/(charge)	114	2	(38)	78
Write-offs and transfer out	–	–	83	83
Others	(3)	–	–	(3)
Balance as at 30 June 2024	(666)	(4)	(1,348)	(2,018)

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(749)	(14)	(1,058)	(1,821)
Transfer:				
to stage 2	2	(2)	–	–
Net reversal/(charge)	24	(50)	(394)	(420)
Write-offs and transfer out	–	–	119	119
Others	(54)	–	–	(54)
Balance as at 31 December 2023	(777)	(66)	(1,333)	(2,176)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.18 Long-term receivables

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.18 Long-term receivables (*continued*)

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

	Six months ended 30 June 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(707)	(436)	(1,636)	(2,779)
Transfer:				
to stage 1	(69)	16	53	–
to stage 2	15	(23)	8	–
to stage 3	130	35	(165)	–
Net (charge)/reversal	(154)	39	(397)	(512)
Write-offs and transfer out	–	–	530	530
Recoveries of amounts previously written off	–	–	(115)	(115)
Others	1	–	–	1
Balance as at 30 June 2024	(784)	(369)	(1,722)	(2,875)

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(642)	(862)	(1,977)	(3,481)
Transfer:				
to stage 1	(19)	9	10	–
to stage 2	5	(7)	2	–
to stage 3	3	352	(355)	–
Net (charge)/reversal	(13)	72	(1,243)	(1,184)
Write-offs and transfer out	–	–	2,039	2,039
Recoveries of amounts previously written off	–	–	(112)	(112)
Others	(41)	–	–	(41)
Balance as at 31 December 2023	(707)	(436)	(1,636)	(2,779)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.19 Property and equipment

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.19 Property and equipment (*continued*)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)4.19 Property and equipment (*continued*)

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

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

4.20 Lease contract

(1) Right-of-use assets

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.20 Lease contract (*continued*)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.20 Lease contract (*continued*)

(2) Lease liabilities

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

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

4.21 Deferred income tax assets and liabilities

(1) Deferred income tax items

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)4.21 Deferred income tax assets and liabilities (*continued*)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.22 Investment in subsidiaries

(1) Directly held subsidiaries

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

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

4.22 Investment in subsidiaries *(continued)*

(1) Directly held subsidiaries *(continued)*

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

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

4.22 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries

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

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4 Notes to the condensed consolidated financial statements (continued)

4.22 Investment in subsidiaries (continued)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.22 Investment in subsidiaries (*continued*)

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.23 Other assets

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.23 Other assets (*continued*)

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

(4) Intangible assets

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.23 Other assets (*continued*)

(4) Intangible assets (*continued*)

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

(5) Goodwill arising from CMBC International

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.24 Allowances for impairment losses

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (continued)

4.24 Allowances for impairment losses (continued)

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

4.25 Deposits and placements from banks and other financial institutions

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.26 Financial liabilities at fair value through profit or loss

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

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

4.27 Borrowings from banks and other financial institutions

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.28 Financial assets sold under repurchase agreements

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

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

4.29 Deposits from customers

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

4.29 Deposits from customers (*continued*)

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

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

4.30 Provisions

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)4.30 Provisions (*continued*)

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

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

4.31 Debt securities issued

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.31 Debt securities issued (*continued*)

(1) Financial bonds

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)4.31 Debt securities issued (*continued*)

(2) Tier-two capital bonds

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

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

(3) Medium-term and short-term notes

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.32 Other liabilities

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)4.32 Other liabilities (*continued*)

(1) Employee benefits payable

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.32 Other liabilities (*continued*)

(1) Employee benefits payable (*continued*)

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.32 Other liabilities (*continued*)

(2) Other tax payable

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

4.33 Share capital and capital reserve

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4.34 Preference Shares

(1) Outstanding Preference Shares at year end

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

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

(2) Domestic Preference Shares Main Clauses

(a) Dividend

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

(b) Conditions to distribution of dividends

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

(c) Dividend stopper

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.34 Preference Shares (*continued*)

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

(d) Order of distribution and liquidation method

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

(e) Mandatory conversion trigger events

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

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

(f) Redemption

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

The Bank has the right to redeem all or part of the domestic Preferred Shares on the preferred stock dividend date of each year, starting from the date of expiration of 5 years after the issue date (i.e., 15 October 2019), and the redemption period shall expire on the date of conversion or redemption in full. In the case of partial redemption, all domestic preferred shares issued will be redeemed on the same terms and in proportion.

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over ordinary shareholders.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (continued)

4.34 Preference Shares (continued)

(2) Domestic Preference Shares Main Clauses (continued)

(g) Dividend setting mechanism (continued)

The dividend of the Domestic Preference Shares shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(3) Changes in preference shares outstanding

	1 January 2024		Movements		30 June 2024	
	Amount (million shares)	Issue Amount	Amount (million shares)	Issue Amount	Amount (million shares)	Issue Amount
Domestic Preference Shares	200	20,000	–	–	200	20,000

	1 January 2023		Movements		31 December 2023	
	Amount (million shares)	Issue Amount	Amount (million shares)	Issue Amount	Amount (million shares)	Issue Amount
Domestic Preference Shares	200	20,000	–	–	200	20,000

4.35 Perpetual Bonds

(1) Outstanding Perpetual Bonds at year end

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million pieces)	Issue Amount In original currency	Issue Amount In RMB	Maturity	Conversion condition	Conversion
2021 Undated Capital Bonds (Series 1)	19/04/2021	Equity	4.30%	100 RMB/ Note	300	30,000	30,000	None	None	None
2022 Undated Capital Bonds (Series 1)	14/06/2022	Equity	4.20%	100 RMB/ Note	50	5,000	5,000	None	None	None
Total							35,000			

As at 30 June 2024, the transaction costs of outstanding perpetual bonds issued by the bank were RMB6 million (31 December 2023: RMB13 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

4.35 Perpetual Bonds *(continued)*

(2) Main Clauses

(a) Principal Amount

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds-Series 1 RMB30 billion.

2022 Undated Tier 1 Capital Bonds-Series 1 RMB5 billion.

(b) Maturity Date

The Bonds will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Bonds will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Bonds will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on ChinaBond.com.cn or other websites approved by the China Central Depository & Clearing Co., Ltd. The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Bonds Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not part of the Bonds.

(e) Subordination

The claims in respect of the Bonds, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Tier 1 Capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4.35 Perpetual Bonds *(continued)*

(2) Main Clauses *(continued)*

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Bondholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Bonds, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Bonds do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option of investors is not applicable.

(3) Changes in perpetual bonds outstanding

Perpetual Bonds	1 January 2024		Movements		30 June 2024	
	Amount (million pieces)	Issue Amount	Amount (million pieces)	Issue Amount/ (Redemption Amount)	Amount (million pieces)	Issue Amount
2019 Undated Capital Bonds	400	40,000	(400)	(40,000)	–	–
2021 Undated Capital Bonds (Series 1)	300	30,000	–	–	300	30,000
2022 Undated Capital Bonds (Series 1)	50	5,000	–	–	50	5,000
Total		75,000		(40,000)		35,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the condensed consolidated financial statements (*continued*)4.35 Perpetual Bonds (*continued*)(3) Changes in perpetual bonds outstanding (*continued*)

Perpetual Bonds	1 January 2023		Movements		31 December 2023	
	Amount (million pieces)	Issue Amount	Amount (million pieces)	Issue Amount/ (Redemption Amount)	Amount (million pieces)	Issue Amount
2019 Undated Capital Bonds	400	40,000	–	–	400	40,000
2021 Undated Capital Bonds (Series 1)	300	30,000	–	–	300	30,000
2022 Undated Capital Bonds (Series 1)	50	5,000	–	–	50	5,000
Total		75,000		–		75,000

4.36 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the former CBIRC, the preferred shares and perpetual bonds issued by the Bank have met the criteria of qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	30 June 2024	31 December 2023
Total equity attributable to equity holders of the Bank	596,141	624,602
Equity attributable to ordinary equity holders of the Bank	541,141	529,602
Equity attributable to other equity holders of the Bank	55,000	95,000
Total equity attributable to non-controlling interests	13,501	13,199
Equity attributable to non-controlling interests of ordinary shares	13,501	13,199

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.37 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit. The appropriation to the statutory surplus reserves may cease when such reserves has reached 50% of the share capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group did not appropriate statutory surplus reserve for the six months ended 30 June 2024 (for the year ended 31 December 2023: RMB3,529 million).

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations, which were included in the Group's general reserve.

The Group appropriated RMB154 million of profits to the general reserve for the six months ended 30 June 2024 (for the year ended 31 December 2023: RMB4,743 million).

(3) Retained earnings

As at 30 June 2024, the retained earnings included the statutory surplus reserve of RMB996 million contributed by the subsidiaries (31 December 2023: RMB993 million). The surplus reserve of the subsidiaries included in the retained earnings cannot be distributed.

4.38 Non-controlling interests

As at 30 June 2024, the non-controlling interests in the subsidiaries were RMB13,501 million (31 December 2023: RMB13,199 million).

4.39 Dividends/Interests

(1) Dividends for Ordinary Shares

The board of directors approved the cash dividends distribution plan for 2024 interim at the Board Meeting on 29 August 2024. The cash dividends declared was RMB1.30 (tax inclusive) for every 10 shares. A total dividend of RMB5,692 million (tax inclusive) was based on total number of shares of 43,782 million as at 30 June 2024. This plan is still pending approval by the shareholders' meeting.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

4.39 Dividends/Interests (*continued*)

(1) Dividends for Ordinary Shares (*continued*)

The shareholders approved the cash dividends distribution plan for 2023 at the Annual General Meeting on 26 June 2024. The cash dividends declared was RMB2.16 (tax inclusive) for every 10 shares. A total dividend of RMB9,457 million (tax inclusive) was based on total number of shares of 43,782 million as at 31 December 2023.

The shareholders approved the cash dividends distribution plan for 2022 at the Annual General Meeting on 9 June 2023. The cash dividends declared was RMB2.14 (tax inclusive) for every 10 shares. A total dividend of RMB9,369 million (tax inclusive) was based on total number of shares of 43,782 million as at the record dates.

(2) Dividends for Preference Shares

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 30 August 2023, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax) before the first reset date pursuant to the terms and conditions of domestic preference shares. The dividend payment date was 18 October 2023.

(3) Interests for Perpetual Bonds

On 3 June 2024, the Bank declared interest for 2022 undated capital bonds. Interest approved amounted to RMB210 million (including tax), calculated at the initial annual pay-out ratio of 4.20% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 6 May 2024, the Bank declared interest for 2019 undated capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 10 April 2024, the Bank declared interest for 2021 undated capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 4 June 2023, the Bank declared interest for 2022 undated capital bonds. Interest approved amounted to RMB210 million (including tax), calculated at the initial annual pay-out ratio of 4.20% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 2 June 2023, the Bank declared interest for 2019 undated capital bonds. Interest approved amounted to RMB1,940 million (including tax), calculated at the initial annual pay-out ratio of 4.85% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 10 April 2023, the Bank declared interest for 2021 undated capital bonds. Interest approved amounted to RMB1,290 million (including tax), calculated at the initial annual pay-out ratio of 4.30% (including tax) before the first reset date pursuant to the terms and conditions of perpetual bonds.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (*continued*)

4.40 Other reserves

	Six months ended 30 June	
	2024	2023
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	173	884
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	4,667	3,279
Allowance for impairment losses	30	204
Amount transferred to profit or loss from other comprehensive income (a)	(2,403)	(1,010)
Less: Tax effect	(479)	(673)
Subtotal	1,988	2,684
Effective hedging portion of gains or losses arising from cash flow hedging instruments	30	52
Less: Tax effect	(7)	(13)
Subtotal	23	39
Exchange difference on translating foreign operations	25	(2)
Total	2,036	2,721

(a) It refers to the amount transferred to profit or loss due to disposal.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

4 Notes to the condensed consolidated financial statements (*continued*)4.40 Other reserves (*continued*)

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Attributable to equity shareholders of the Bank			
	Investment revaluation reserve	Cash flow hedging reserve	Exchange reserve	Total
1 January 2024	1,507	(17)	532	2,022
Movement during the period	1,922	23	25	1,970
30 June 2024	3,429	6	557	3,992
1 January 2023	(1,079)	1	466	(612)
Movement during the year	2,586	(18)	66	2,634
31 December 2023	1,507	(17)	532	2,022

4.41 Notes to the consolidated cash flow statement

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	30 June 2024	31 December 2023
Cash (Note 4.11)	5,652	7,002
Surplus deposit reserves with central bank (Note 4.11)	32,020	90,705
Balances with banks and other financial institutions – demand deposits	43,154	109,925
Original maturity within 3 months:		
– Balances with banks and other financial institutions	4,546	4,347
– Placements with banks and other financial institutions	27,666	25,357
Total	113,038	237,336

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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4 Notes to the condensed consolidated financial statements (continued)

4.42 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

(1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the six months ended 30 June 2024, the Group transferred loans through securitisation transactions with gross balance of RMB3,958 million (For the year ended 31 December 2023: RMB10,524 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing financial assets

For the six months ended 30 June 2024, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB1,965 million (For the year ended 31 December 2023: RMB28,982 million). The Group transferred substantially all the risks and rewards of these non-performing financial assets and therefore has derecognized them.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2024, the carrying amount of debt securities lent to counterparties was RMB79,189 million (31 December 2023: RMB45,483 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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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 deposits and loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.
(c) Others	Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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5 Segment information (continued)

5.1 Business segments (continued)

	Six months ended 30 June 2024			
	Corporate banking	Retail banking	Others	Total
Operating income	31,833	29,973	3,783	65,589
Net interest income	22,430	23,887	2,265	48,582
Include: inter-segment net interest income/(expense)	3,673	(4,732)	1,059	–
Net fee and commission income	2,958	5,970	717	9,645
Net other income	6,445	116	801	7,362
Operating expenses	(7,035)	(10,457)	(3,961)	(21,453)
Credit impairment losses	(7,631)	(11,785)	(1,135)	(20,551)
Other impairment losses	(194)	(3)	88	(109)
Profit before income tax	16,973	7,728	(1,225)	23,476
Depreciation and amortisation	1,589	1,493	1,313	4,395
Capital expenditure	1,389	1,305	7,686	10,380
	As at 30 June 2024			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,722,383	1,860,240	910,559	7,493,182
Deferred income tax assets				57,831
Total assets				7,551,013
Segment liabilities	(4,531,191)	(1,419,488)	(990,463)	(6,941,142)
Deferred income tax liabilities				(229)
Total liabilities				(6,941,371)
Credit commitments	758,502	511,130	–	1,269,632

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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5 Segment information (continued)

5.1 Business segments (continued)

	Six months ended 30 June 2023			
	Corporate banking	Retail banking	Others	Total
Operating income	34,570	31,601	3,697	69,868
Net interest income	25,077	25,405	852	51,334
Include: inter-segment net interest income/(expense)	9,382	(6,226)	(3,156)	–
Net fee and commission income	3,888	6,080	868	10,836
Net other income	5,605	116	1,977	7,698
Operating expenses	(6,889)	(10,592)	(4,698)	(22,179)
Credit impairment losses	(10,256)	(10,875)	(1,079)	(22,210)
Other impairment losses	(728)	–	(4)	(732)
Profit before income tax	16,697	10,134	(2,084)	24,747
Depreciation and amortisation	1,512	1,377	1,248	4,137
Capital expenditure	1,902	1,734	5,642	9,278
As at 31 December 2023				
	Corporate banking	Retail banking	Others	Total
Segment assets	4,746,660	1,869,630	1,004,083	7,620,373
Deferred income tax assets				54,592
Total assets				7,674,965
Segment liabilities	(4,712,506)	(1,355,082)	(969,362)	(7,036,950)
Deferred income tax liabilities				(214)
Total liabilities				(7,037,164)
Credit commitments	734,613	545,007	–	1,279,620

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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5 Segment information (*continued*)5.2 Geographical segments (*continued*)

	Six months ended 30 June 2024		As at 30 June 2024
	Operating income	Profit before income tax	Segment assets (1)
Head Office	22,685	4,641	3,151,158
Yangtze River Delta	10,734	2,755	1,189,535
Pearl River Delta	7,438	3,970	789,619
Bohai Rim	8,009	4,123	1,330,581
Northeastern Region	1,344	725	150,852
Central Region	5,618	2,887	578,793
Western Region	4,940	2,128	675,957
Overseas and subsidiaries	4,821	2,247	451,865
Inter-segment elimination	–	–	(825,178)
Total	65,589	23,476	7,493,182

	Six months ended 30 June 2023		As at 31 December 2023
	Operating income	Profit before income tax	Segment assets (1)
Head Office	22,020	4,627	3,369,881
Yangtze River Delta	12,044	4,038	1,260,635
Pearl River Delta	8,401	4,664	758,206
Bohai Rim	8,625	2,410	1,490,154
North-Eastern Region	843	(832)	154,292
Central Region	5,945	3,424	563,519
Western Region	7,468	4,639	667,749
Overseas and subsidiaries	4,522	1,777	397,135
Inter-segment elimination	–	–	(1,041,198)
Total	69,868	24,747	7,620,373

(1) Segment assets do not include deferred tax assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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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 2024	31 December 2023
Bank acceptances	464,786	476,334
Guarantees	136,628	130,996
Letters of credit	113,735	107,030
Unused credit card commitments	510,741	514,685
Irrevocable credit commitments		
– original maturity date within 1 year	28,170	33,943
– original maturity date over 1 year	15,572	16,632
Total	1,269,632	1,279,620

Details of credit loss of off-balance-sheet credit commitments (Note 4.30).

	30 June 2024	31 December 2023
Credit risk weighted amounts of credit commitments	608,254	368,187

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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6 Contingent liabilities and commitments *(continued)*

6.2 Capital commitments

	30 June 2024	31 December 2023
Contracted but not paid for	13,106	13,339

6.3 Collateral

(1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

	30 June 2024	31 December 2023
Balances with banks and other financial institutions	10,047	5,224
Loans and advances to customers	2,040	2,062
Discounted bills	68,694	58,685
Financial investments	246,468	339,352
Long-term receivables	7,688	10,998
Property and equipment	5,355	8,701
Total	340,292	425,022

As at 30 June 2024, except for assets pledged mentioned above, the amount of RMB888 million of the Group's Balances with banks and other financial institutions was mainly used as special funds for a subsidiary's business (31 December 2023: RMB1,384 million).

(2) Collateral received

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 30 June 2024, the Group had no collateral that was sold or lent to counterparties, but obligated to return (31 December 2023: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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6 Contingent liabilities and commitments (*continued*)

6.4 Underwriting of securities

As at 30 June 2024, there was no unexpired underwriting commitment for the Group (31 December 2023: Nil).

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 30 June 2024 was RMB2,905 million (31 December 2023: RMB2,524 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 30 June 2024 and 31 December 2023. The Group makes provisions for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 4.30).

7 Interests in structured entities

7.1 Consolidated structured entities

As at 30 June 2024, the consolidated structured entities amounted to RMB100,485 million (31 December 2023: RMB80,977 million).

7.2 Unconsolidated structured entities

(1) Invested structured entities in which the Group holds an interest

Unconsolidated invested structured entities include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

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For the six months ended 30 June 2024
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7 Interests in structured entities (continued)

7.2 Unconsolidated structured entities (continued)

(1) Invested structured entities in which the Group holds an interest (continued)

The following tables set out an analysis of the line items in the consolidated statement of financial position in which assets are recognised relating to the Group's interests in invested structured entities:

	30 June 2024			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	1,822	132,573	19,120	153,515
Funds	125,080	–	–	125,080
Trust and asset management plans	19,007	28,005	–	47,012
Others	7,594	–	–	7,594
Total	153,503	160,578	19,120	333,201

	31 December 2023			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	1,756	158,140	21,860	181,756
Funds	131,557	–	–	131,557
Trust and asset management plans	17,185	30,482	–	47,667
Others	5,278	–	–	5,278
Total	155,776	188,622	21,860	366,258

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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7 Interests in structured entities (*continued*)

7.2 Unconsolidated structured entities (*continued*)

(1) Invested structured entities in which the Group holds an interest (*continued*)

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the consolidated statement of financial positions.

(2) Interests held in structured entities sponsored and managed but not consolidated by the Group

Structured entities sponsored and managed but not consolidated by the Group primarily include wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

As at 30 June 2024, the balance of wealth management products sponsored and managed but not consolidated by the Group is RMB954,729 million (31 December 2023: RMB867,693 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB103,525 million (31 December 2023: RMB107,869 million).

For the six months ended 30 June 2024, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB1,730 million (For the six months ended 30 June 2023: RMB1,564 million). As at 30 June 2024 and 31 December 2023, the carrying amounts of commission receivable being recognised are not material in the consolidated statement of financial positions.

8 Entrusted lending business

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

	30 June 2024	31 December 2023
Entrusted loans	277,169	275,968
Entrusted funds	277,169	275,968

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For the six months ended 30 June 2024
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9 Related parties

9.1 Related parties

- (1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be a natural person, corporate or unincorporated organization.

Related parties of the Group mainly include corporates or unincorporated organizations that hold or control more than 5% of the Bank's equity interests, and corporates or unincorporated organizations that hold less than 5% of the Bank's equity interests but have significant influence on the Bank, and the controlling shareholders, actual controllers, persons acting in concert, and ultimate beneficiaries of these entities as well as corporates or unincorporated organizations under the control of these entities; the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers (hereinafter referred to as "insiders of the Bank"), their close family members, and the corporates or unincorporated organizations controlled by the aforementioned persons; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; corporates or unincorporated organizations under control or significant influence of the Bank; and natural persons, corporates or unincorporated organizations identified by the Bank as being related on a substance over form basis and/or see-through basis.

The eligibility of the Bank's major shareholders complies with the Interim Measures for Equity Management of Commercial Banks (former CBIRC order [2018] No. 1).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders

Company name	Registered location	30 June 2024		31 December 2023		Business (a)	Legal form	Legal representative
		No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)	No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)			
Dajia Life Insurance Inc.	Beijing	7,810,214,889	17.84	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
Shanghai Giant Lifetech Co., Ltd.	Shanghai	1,379,679,587	3.15	1,379,679,587	3.15	Retail business	Limited company	Wei Wei
Alpha Frontier Limited	Cayman Islands	713,501,653	1.63	713,501,653	1.63	Investment holding	Limited company	Zhang lv
Liberal Rise Limited	British Virgin Islands	84,522,480	0.19	84,522,480	0.19	Investment holding	Limited company	Shi Yuzhu
New Hope Liuhe Investment Co., Ltd.	Tibet	1,828,327,362	4.18	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Tibet	343,177,327	0.78	343,177,327	0.78	Retail business	Limited company	Li Jianxiong
Tongfang Guoxin Investment Co., Ltd.	Chongqing	1,888,530,701	4.31	1,888,530,701	4.31	Commercial service	Limited company	Liu Qingin
Chongqing International Trust Co., Ltd.	Chongqing	103,658,821	0.24	103,658,821	0.24	Other financial industry	Joint stock limited company	Weng Zhenjie
China Shipowners Mutual Assurance Association	Shanghai	1,324,284,453	3.02	1,324,284,453	3.02	Marine mutual insurance and services	National social group	Song Chunfeng
Orient Group Incorporation	Heilongjiang	1,280,117,123	2.92	1,280,117,123	2.92	Agricultural and sideline food processing industry	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Beijing	15,344,100	0.04	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
Good First Group Co., Ltd.	Fujian	133,200,000	0.30	133,200,000	0.30	Wholesale business	Limited company	Wu Di
Tibet Hengxun Corporate Management Co., Ltd.	Tibet	80,500,000	0.18	80,500,000	0.18	Commercial service	Limited company	Chen Jianjun
Tibet Fujin Enterprise Management Co., Ltd.	Tibet	52,900,000	0.12	52,900,000	0.12	Commercial service	Limited company	Chen Jianjun

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)

9.1 Related parties (*continued*)

(2) The Bank's major shareholders (*continued*)

In accordance with the announcement published on the website of the Bank on 24 April 2024, China Oceanwide Holdings Group Co., Ltd. (China Oceanwide Holdings Group) and companies acting in concert with China Oceanwide Holdings Group, including Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited, and Long Prosper Capital Company Limited (hereinafter collectively referred to as "China Oceanwide Holdings Group and companies acting in concert"), collectively held 2,185,239,409 unrestricted shares of the Bank, representing 4.99% of the total shares of the Bank (As at 31 December 2023, China Oceanwide Holdings Group and companies acting in concert collectively held 2,219,553,255 unrestricted shares of the Bank, representing 5.07% of the total shares of the Bank). In accordance with the announcement on 26 June 2024 on the resolution of the Annual General Meeting, China Oceanwide Holdings Group Co., Ltd. ceased to designate director to the Bank. Therefore, China Oceanwide Holdings Group and companies acting in concert are not the Bank's major shareholder.

(a) Particulars of principal operations:

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former CBIRC.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale non-physical means pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

Alpha Frontier Limited: investment holdings.

Liberal Rise Limited: investment holdings.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)

9.1 Related parties (*continued*)

(2) The Bank's major shareholders (*continued*)

(a) *Particulars of principal operations: (continued)*

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, by products and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

Tongfang Guoxin Investment Co., Ltd.: engage in investment activities with its own funds (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management.

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the former China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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9 Related parties (*continued*)

9.1 Related parties (*continued*)

(2) The Bank's major shareholders (*continued*)

(a) Particulars of principal operations: (*continued*)

Orient Group Incorporation: permitted item: food production (branch operation); grain processed food production (branch operation); bean products manufacturing (branch operation); crop seed management (branch operation); job intermediary activities. general items: grain purchase; import and export of goods; technology import and export; foreign contracted projects; estate management; sales of light building materials; sales of building materials; sales of construction machinery; furniture sales; wholesale of hardware products; sanitary ware sales; sales of metal materials; research and development of new material technology; grain sales; grain planting (branch operation); enterprise headquarters management; primary processing of edible agricultural products (branch operation).

Oriental Group Co., Ltd.: engage in investment activities with its own funds; information system integration services; domestic trade agency; import and export agency; technology import and export; realty management; coal sales; wholesale of hardware products.

Good First Group Co., Ltd.: high-tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials.

Tibet Fuju Enterprise Management Co., Ltd.: management; business management consulting; corporate image planning; marketing planning; conference and exhibition services; Market research (excluding foreign-related research).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)9.1 Related parties (*continued*)(2) The Bank's major shareholders (*continued*)(a) *Particulars of principal operations: (continued)*

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	30 June 2024	31 December 2023
Dajia Life Insurance Inc.	RMB30,790 million	RMB30,790 million
Shanghai Giant Lifetech Co., Ltd.	RMB245 million	RMB245 million
Alpha Frontier Limited	USD17.5 thousand	USD17.5 thousand
Liberal Rise Limited	USD0.05 million	USD0.05 million
New Hope Liuhe Investment Co., Ltd.	RMB577 million	RMB577 million
South Hope Industrial Co., Ltd.	RMB1,034 million	RMB1,034 million
Tongfang Guoxin Investment Co., Ltd.	RMB2,574 million	RMB2,574 million
Chongqing International Trust Co., Ltd.	RMB15,000 million	RMB15,000 million
China Shipowners Mutual Assurance Association	RMB0.10 million	RMB0.10 million
Orient Group Incorporation	RMB3,659 million	RMB3,659 million
Oriental Group Co., Ltd.	RMB1,000 million	RMB1,000 million
Good First Group Co., Ltd.	RMB133 million	RMB133 million
Tibet Heng Xun Corporate Management Co., Ltd.	RMB10 million	RMB10 million
Tibet Fujin Enterprise Management Co., Ltd.	RMB300 million	RMB300 million

As at 30 June 2024, China Oceanwide Holdings Group and companies acting in concert are not the Bank's major shareholder (As at 31 December 2023, the registered capital of China Oceanwide Holdings Group Co., Ltd. was RMB20,000 million; the registered capital of Oceanwide International Equity Investment Limited was USD0.05 million; the registered capital of China Oceanwide International Investment Company Limited was HKD1,548 million; the registered capital of Long Prosper Capital Company Limited was USD0.05 million).

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.22.

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For the six months ended 30 June 2024
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9 Related parties (*continued*)9.1 Related parties (*continued*)

(4) Relationship with related parties

Company name	Relationship with the Bank
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
China Oceanwide Holdings Group Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Guizhou Guoyuan Mining Development Co., Ltd.	Related party with equity interests held by the Bank
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Chongqing Yufu Expressway Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Beijing Dacheng Hotel Co., Ltd.	Related party of Orient Group Incorporation
Tianjin Languang Hejun Small Station Culture and Tourism Entertainment Development Co., Ltd.	Related party of CMBC INTERNATIONAL HOLDINGS LIMITED
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Tianjin Shengshi Xinhe Real Estate Co., Ltd.	Related party of Dajia Life Insurance Inc.
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Chongqing Gengyu Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	Related party of Dajia Life Insurance Inc.
Beijing Xingtai Tonggang Real Estate Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Sichuan Dazhou Steel Group Co., Ltd.	Related party with equity interests held by the Bank
Yunnan Textile Corporation	Related party of Tongfang Guoxin Investment Co., Ltd.
Kunming 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.
Tianjin Yuanchuan Investment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Tianjin Boda Warehousing Service Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
New Hope Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shenyang New Hope Jinyu Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.

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9 Related parties (continued)

9.1 Related parties (continued)

(4) Relationship with related parties (continued)

Company name	Relationship with the Bank
QUAM PLUS INTERNATIONAL FINANCIAL LIMITED	Related party of the Bank's insiders
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Tianjin Yuanxi Real Estate Development Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Dalian Jianhua Sludge Treatment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Hope Deepblue Energy & Chemical Industry Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Hope Senlan Science and Technology Holding Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Hope Deepblue Air Conditioning Manufacture Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Zhaojiu Technology Co., Ltd.	Related party of the Bank's insiders
Beijing ENRELY Technology Co., Ltd.	Related party of the Bank's insiders
Wuxi Yuanmai Information Technology Co., Ltd.	Related party of the Bank's insiders
Jiangsu Zhijun Power Equipment Co., Ltd.	Related party of the Bank's insiders
Quanzhou Fengze District best art auto parts shop	Related party of the Bank's insiders
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shenzhen Dianshi Chengjin Network Technology Co., Ltd.	Related party of the Bank's insiders
Hangzhou Dashu Yunzhi Technology Co., Ltd.	Related party of the Bank's insiders
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
SINO-OCEAN GROUP HOLDING LIMITED	Related party of the Bank's insiders

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9 Related parties *(continued)*

9.1 Related parties *(continued)*

(4) Relationship with related parties *(continued)*

Company name	Relationship with the Bank
Sichuan Hope Deepblue Energy & Chemical Industry Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Sanya Minsheng Tourism Co., Ltd.	Related party of Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Minsheng Real Estate Co., Ltd.	Companies funded by the Labour Union Committee of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Companies funded by the Labour Union Committee of Beijing branch of the Bank
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.

(5) Related natural persons

The related natural persons of the Group include: the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers, and their close family members; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and natural persons identified by the Bank as being related on a substance over form basis and/or look-through basis. As at 30 June 2024, the Bank has 13,657 related natural persons, including 152 who were directors of the Bank and their close family members, 77 who were supervisors of the Bank and their close family members, 186 who were senior executives of the head office and their close family members, 12,901 who were senior executives of key branches of the Bank or people with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers, and their close family members, 181 who were directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries, and 202 other natural persons.

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9 Related parties (*continued*)

9.1 Related parties (*continued*)

(5) Related natural persons (*continued*)

Note: Among the Bank's directors and their close family members, 33 were also senior executives of the head office or close family members. Among the Bank's directors, supervisors and their close family members, 9 were also directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries.

9.2 Related party transactions

(1) Material related party transactions

Material related party transactions refer to transactions where an individual transaction between the Group and a single related party amounts to more than 1% of the Group's net capital at the end of the previous quarter, or where the cumulative total of transactions between the Group and a single related party amounts to more than 5% of the Group's net capital at the end of the previous quarter.

For the year ended 31 December 2023, the Bank granted to Dajia Life Insurance Inc. a comprehensive credit limit of RMB26 billion with a term of 2 years. As at 30 June 2024, the loan balance was RMB23.37 billion (31 December 2023: RMB26 billion).

(2) Pricing policy

Transactions between the Group and its related parties are mainly conducted in the normal course of its business and on normal commercial terms, following the pricing policies that are consistent with those applicable to similar transactions with independent non-related parties.

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9 Related parties (*continued*)9.2 Related party transactions (*continued*)

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	30 June 2024	31 December 2023
Dajia Life Insurance Inc.	Pledged/ Collateralised/ Guaranteed	23,370	26,000
Oceanwide Holding Co., Ltd.	Pledged/ Collateralised/ Guaranteed	6,800	6,800
Shanghai Cibi Business Information Consulting Co., Ltd.	Pledged/ Guaranteed	6,610	6,611
China Oceanwide Holdings Group Co., Ltd.	Pledged/ Guaranteed	4,666	4,666
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,972	3,972
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/ Collateralised/ Guaranteed	3,758	4,329
Orient Group Incorporation	Pledged/ Collateralised/ Guaranteed	3,467	3,478
Guizhou Guoyuan Mining Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	3,335	3,335
Wuhan CBD Co., Ltd.	Collateralised/ Guaranteed	3,046	3,046
Oriental Group Co., Ltd.	Pledged/ Guaranteed	2,252	2,252
Chongqing Yufu Expressway Co., Ltd.	Pledged/ Guaranteed	1,875	1,987
Beijing Dacheng Hotel Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,685	1,698
Tongfang Guoxin Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,262	1,443

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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9 Related parties (*continued*)9.2 Related party transactions (*continued*)(3) Loans to related parties (*continued*)

	Types of collateral	30 June 2024	31 December 2023
Tianjin Languang Hejun Small Station Culture and Tourism Entertainment Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	1,169	1,169
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	982	985
Tianjin Shengshi Xinhe Real Estate Co., Ltd.	Pledged/ Collateralised	970	–
Xiamen Rongyin Co., Ltd.	Pledged/ Collateralised/ Guaranteed	894	900
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/ Guaranteed	875	900
Chongqing Gengyu Real Estate Development Co., Ltd.	Collateralised	844	937
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	Collateralised/ Guaranteed	838	867
Beijing Xingtai Tonggang Real Estate Co., Ltd.	Collateralised	737	698
Sichuan Dazhou Steel Group Co., Ltd.	Pledged/ Collateralised/ Guaranteed	725	725
Yunnan Textile Corporation	Pledged/ Collateralised/ Guaranteed	624	640
Kunming Dashanghui Industrial Co., Ltd.	Collateralised/ Guaranteed	560	580
Guangxi Xindi Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	559	569
Xiamen Hongfu Co., Ltd.	Pledged/ Collateralised/ Guaranteed	394	400
Tianjin Yuanchuan Investment Co., Ltd.	Pledged/ Collateralised/ Guaranteed	316	317
Tianjin Boda Warehousing Service Co., Ltd.	Pledged/ Collateralised/ Guaranteed	275	276

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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9 Related parties (*continued*)9.2 Related party transactions (*continued*)(3) Loans to related parties (*continued*)

	Types of collateral	30 June 2024	31 December 2023
New Hope Group Co., Ltd.	Guaranteed	270	300
Shenyang New Hope Jinyu Real Estate Co., Ltd.	Pledged/ Collateralised/ Guaranteed	240	500
QUAM PLUS INTERNATIONAL FINANCIAL LIMITED	Pledged/ Guaranteed	201	227
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/ Guaranteed	146	146
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	145	150
Grass Green Group Co., Ltd.	Pledged/ Guaranteed	139	149
Tianjin Yuanxi Real Estate Development Co., Ltd.	Pledged/ Collateralised	133	229
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd.	Guaranteed	80	80
Dalian Jianhua Sludge Treatment Co., Ltd.	Collateralised	70	70
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/ Collateralised/ Guaranteed	70	70
Sichuan Hope Deepblue Energy & Chemical Industry Corp., Ltd.	Guaranteed	60	–
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	40	130
Hope Senlan Science and Technology Holding Corp., Ltd.	Guaranteed	30	30
Hope Deepblue Air Conditioning Manufacture Corp., Ltd.	Guaranteed	30	30
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd.	Collateralised	15	15
Shanghai Zhaojiu Technology Co., Ltd.	Collateralised	13	14
Beijing ENRELY Technology Co., Ltd.	Guaranteed	3	4
Wuxi Yuanmai Information Technology Co., Ltd.	Pledged	3	–
Jiangsu Zhijun Power Equipment Co., Ltd.	Collateralised	2	3

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)9.2 Related party transactions (*continued*)(3) Loans to related parties (*continued*)

	Types of collateral	30 June 2024	31 December 2023
Quanzhou Fengze District best art auto parts shop	Collateralised	1	2
Shenzhen Dianshi Chengjin Network Technology Co., Ltd. (a)(b)	Collateralised	0	N/A
Hangzhou Dashu Yunzhi Technology Co., Ltd. (b)	Pledged	0	–
UNITED ENERGY GROUP (HONG KONG) LIMITED	Pledged/ Guaranteed	–	2,171
SINO-OCEAN GROUP HOLDING LIMITED	Guaranteed	–	198
Sichuan Hope Hydropower Development Co., Ltd.	Pledged/ Guaranteed	–	60
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Guaranteed	–	50
Individuals	Pledged/ Collateralised/ Guaranteed	1,356	1,401
Total		79,907	85,609
Ratio to similar transactions (%)		1.83	1.98
Interest rate ranges of corporate related parties		1.65%-8.95%	1.65%-8.95%

(a) Since 2024, these companies have become related parties of the Group.

(b) The balances are rounded to less than RMB1 million.

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For the six months ended 30 June 2024
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9 Related parties (continued)

9.2 Related party transactions (continued)

(3) Loans to related parties (continued)

Amount of transactions:

	Six months ended 30 June	
	2024	2023
Interest income from loans	1,887	2,105
Ratio to similar transactions (%)	2.11	2.28

(4) Other transactions with related parties

Balances as at the end of the reporting period:

	30 June 2024		31 December 2023	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost	3,702	0.24	3,212	0.21
– Financial assets at fair value through profit or loss	876	0.27	867	0.27
– Financial assets at fair value through other comprehensive income	883	0.21	646	0.15
Long-term receivables	73	0.06	109	0.09
Other assets (a)	920	1.77	850	1.72
Balances with banks and other financial institutions	2	0.00	6	0.00
Deposits and placements from banks and other financial institutions	913	0.08	1,133	0.09
Deposits from customers	31,564	0.76	34,825	0.80
Other liabilities	22	0.03	22	0.04

- (a) Sanya Minsheng Tourism Co., Ltd. provides project management and business promotion assistant services for Minsheng Financial Leasing regarding its retail vehicle financial leasing business. Other assets mainly include the prepayment from Minsheng Financial Leasing to Sanya Minsheng Tourism Co., Ltd. for the above mentioned service fees to be amortised.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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9 Related parties (*continued*)9.2 Related party transactions (*continued*)(4) Other transactions with related parties (*continued*)

Interest rate ranges for transaction balances as at the end of reporting period

	30 June 2024	31 December 2023
Financial investments		
– Financial assets measured at amortised cost	3.80%-5.50%	3.80%-5.50%
– Financial assets at fair value through other comprehensive income	2.70%-5.50%	2.70%-5.50%
Long-term receivables	9.32%	9.31%
Balances with banks and other financial institutions	0.35%	0.32%-0.35%
Deposits and placements from banks and other financial institutions	0.20%-2.78%	0.20%-2.35%
Deposits from customers	0.00%-5.31%	0.00%-5.35%

Amount of transactions:

	Six months ended 30 June			
	2024	Ratio to similar transactions (%)	2023	Ratio to similar transactions (%)
	Balance		Balance	
Interest income	195	0.15	118	0.09
Fee and commission income (a)	115	1.00	372	2.77
Interest expense	250	0.31	347	0.42
Operating expenses (b)	847	3.95	670	3.02
Net other operating income (c)	250	16.59	286	23.05

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

9 Related parties (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

Amount of transactions: (continued)

In addition to the above transactions, for the six months ended 30 June 2024, the Bank entrusted related parties to develop software and systems, and paid a total of RMB393 million (For the six months ended 30 June 2023: RMB634 million). The main service provider was Minsheng Fintech Co., Ltd.

- (a) For the six months ended 30 June 2024 and for the six months ended 30 June 2023, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc.
- (b) Operating expenses of the Group were mainly for property management service and assets recovery service provided by Minsheng Real Estate Co., Ltd. and its related parties, financial business outsourcing service, travel and publicity campaigns provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.
- (c) For the six months ended 30 June 2024, Minsheng Financial Leasing recognized RMB209 million fees for ancillary service in asset management provided by Sanya Minsheng Tourism Co. Ltd. (For the six months ended 30 June 2023: RMB274 million).

Balance of off-balance sheet items:

	30 June 2024		31 December 2023	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	79	0.02	89	0.02
Guarantees (a)	0	0.00	–	–
Letters of credit	290	0.25	290	0.27
Unused credit card commitments	590	0.12	596	0.12

- (a) The balance is rounded to less than RMB1 million.

Balances of loans guaranteed by related parties:

	30 June 2024	31 December 2023
Loans guaranteed by related parties	44,929	42,677
Ratio to similar transactions (%)	1.03	0.99

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the six months ended 30 June 2024 and for the six months ended 30 June 2023.

(6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB0.77 million as at 30 June 2024 (31 December 2023: RMB2.26 million), which have been included in the above loans granted to related parties.

For the six months ended 30 June 2024, the pre-tax compensation (including wages and short-term benefits) of key management personnel totalled RMB25 million (for the six months ended 30 June 2023: RMB28 million).

(7) Transactions between the Bank and its subsidiaries

Balances as at the end of the reporting period:

	30 June 2024	31 December 2023
Placements with banks and other financial institutions	24,070	28,829
Loans and advances to customers	1,342	1,385
Financial investment	2,050	1,427
Balances with banks and other financial institutions	300	220
Other assets	70	103
Deposits and placements from banks and other financial institutions	11,642	24,598
Deposits from customers	731	614
Debt securities issued	498	257
Other liabilities	51	51

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For the six months ended 30 June 2024
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9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(7) Transactions between the Bank and its subsidiaries (*continued*)

Amount of transactions for the reporting period:

	Six months ended 30 June	
	2024	2023
Interest income	667	637
Interest expense	134	120
Fee and commission income	302	473
Fee and commission expense	2	87
Operating expenses	–	4
Net other operating income	1	1

(8) Material transactions between the Bank and its subsidiaries

(a) For the year ended 31 December 2022, the Bank granted Minsheng Financial Leasing a maximum credit limit of RMB38,520 million with a term of 2 years. Under the maximum credit limit:

(1) As at 30 June 2024, the balance of placements with banks and other financial institutions was RMB17,225 million (For the year ended 31 December 2023: RMB22,017 million).

(2) For the year ended 31 December 2023, Minsheng Financial Leasing transferred its financial leasing assets with a carrying amount of RMB10,381 million to the Bank through non-recourse factoring. For the six months ended 30 June 2024, no such related party transactions have occurred.

(b) For the year ended 31 December 2023, the Bank granted CMBC Wealth Management Co., Ltd. a maximum credit limit of RMB68,000 million with a term of 2 years. As at 30 June 2024, the credit line remained unused.

(9) Transactions between subsidiaries

For the six months ended 30 June 2024, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 30 June 2024, the balance of the above transactions was RMB20 million (31 December 2023: RMB153 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

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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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(1) Credit risk measurement

The Group measures and manages the quality of its on-balance sheet and off-balance sheet financial assets exposed to credit risk in accordance with the Rules on Risk Classification of Financial Assets of Commercial Banks (CBIRC and PBOC Order [2023] No. 1). The Rules on Risk Classification of Financial Assets of Commercial Banks require commercial banks to classify their financial assets by their risk level into five categories, namely Normal, Special-Mention, Substandard, Doubtful and Loss, with assets classified into the latter three categories collectively referred to as “non-performing assets”. The Bank has also formulated the Administrative Measures for Risk Classification of Financial Assets of China Minsheng Banking Corporation Limited to guide its daily risk classification management of financial assets, and the Bank’s classification of its financial assets complies with the Rules on Risk Classification of Financial Assets of Commercial Banks.

The core definitions for classification of financial assets in the Rules on Risk Classification of Financial Assets of Commercial Banks are as follows:

Normal:	The debtor is capable of meeting its contractual obligations and there is no objective evidence indicating that the principal, interests, and income cannot be paid in full and on time.
Special-Mention:	The debtor is currently capable of paying the principal, interests, and income notwithstanding a number of factors that might adversely affect its capacity to meet its contractual obligations.
Substandard:	The debtor is incapable of paying the principal, interests, or income in full or the financial assets have become credit impaired.
Doubtful:	The debtor is incapable of paying the principal, interests, or income in full and the financial assets have become significantly credit impaired.
Loss:	None or only a minimum fraction of the financial assets can be recovered after exhausting all available options.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024
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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(2) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on – and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitors actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and preventing and controlling customer concentration risks.

(a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. Critical methods for the Group to control its credit risks include acquiring collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Financial instruments such as time deposits, debt securities and equities.
- Trade receivables, rent receivables and various rights to receive payments
- Mining rights and machinery

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For the six months ended 30 June 2024
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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 exposure.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivative instruments

The credit risk of derivative financial instruments comes from the counterparty credit risk that the Bank faces during transactions with counterparties who fail to fulfill their obligations. The Bank manages the counterparty credit risk of derivative financial instruments through credit limits or other credit risk mitigation measures. The Bank incorporates counterparties' credit limits into the bank-wide unified credit management system and sets credit limits in the management system to monitor credit limits. To reduce the credit risk of derivative financial instruments, the Bank also adopts measures such as margin requirements, participation in central counterparty clearing, etc.

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable commitments that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of credit commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

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For the six months ended 30 June 2024
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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss (“ECL”) measurement

According to the IFRS 9: Financial Instruments, the Group classifies its financial instruments into three stages for the purpose of ECL measurement and applies the ECL model to calculate credit loss provisions for on-balance sheet financial instruments that are exposed to credit risk and measured either at amortised cost or at fair value through other comprehensive income, such as loans, debt securities, balances with banks and other financial institutions, account receivables, lease receivables, and other debt investments, as well as off-balance sheet financial instruments that are exposed to credit risk, such as financial guarantee contracts and loan commitments.

The Group adopts the parameters-based approach and the discounted cash flow (“DCF”) method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group regularly reviews and optimizes its expected credit loss model, and makes timely updates to the forward-looking information and relevant parameters in accordance with the requirements of *Implementation Rules on Expected Credit Loss Approach of Commercial Banks* (CBIRC [2022] No.10) and internal relevant management system.

(a) Financial instrument risk stages

The Group applies a “three-stage model” for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1:	Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.
Stage 2:	For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.
Stage 3:	For financial assets with objective evidence of impairment as at the end of reporting period, expected credit losses are recognised for the remaining lifetime.

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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss ("ECL") measurement (*continued*)

(b) Criteria for significant increases in credit risk ("SICR")

The Group assesses, at each reporting period end, whether or not the credit risk of relevant financial instruments has increased significantly since their initial recognition. In order to determine whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and supportable information that is available without undue cost or effort and sets qualitative and quantitative criteria accordingly. The quantitative criteria include overdue days of the principal or interest for more than 30 days, credit asset classified as special-mention, the absolute level or relative change of Probability of Default in excess of the preset thresholds, among others; and the qualitative criteria mainly cover the regulatory and business environments, the borrowers' repayment ability, borrowers' operation capability, borrowers' repayment behaviors, and forward-looking information, among others.

(c) Definition of credit-impaired financial asset

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Expected Credit Loss ("ECL") measurement (*continued*)

(d) Segmentation of risk exposures

For the purpose of expected credit loss measurement, the Group classifies exposures with similar credit risk characteristics into segmentation. The Group segments corporate financial assets mainly according to the borrower types and the industry in which they operate, and retail assets mainly according to product types, and the Group reviews the appropriateness of its risk grouping and makes corrections to the grouping results on an annual basis.

(e) Parameters for ECL measurement

Except for credit-impaired financial assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument according to whether there is a significant increase in credit risk. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;
- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;
- EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet credit risk conversion factor etc., and may vary by product types.

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the quarterly year-on-year (Y/Y) growth rates of Gross Domestic Product (GDP), Broad Money Supply (M2) and Consumer Price Index (CPI) respectively. The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indicators for ECL calculation.

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For the six months ended 30 June 2024
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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 30 June 2024, the Group has considered different macroeconomic scenarios, and the main economic indicators with predicted ranges in estimating ECL are set out as below:

Variables	Range
Quarterly Y/Y growth rate of GDP	3.4%~5.4%
Quarterly Y/Y growth rate of M2	7.9%~13.7%
Quarterly Y/Y growth rate of CPI	-0.3%~3.2%

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

The Group combines macro-economic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. As at 30 June 2024 and 31 December 2023, the positive, neutral and negative scenarios had similar weightings.

(g) Cash flow forecasts for Stage 3 corporate financial assets

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets. The DCF method estimates the expected credit losses based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

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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.

	30 June 2024	31 December 2023
Balances with central bank	283,484	383,365
Balances with banks and other financial institutions	66,046	129,678
Placements with banks and other financial institutions	177,130	172,778
Derivative financial assets	20,352	24,797
Financial assets held under resale agreements	21,163	35,773
Loans and advances to customers	4,364,821	4,323,908
Financial investments		
– Financial assets at fair value through profit or loss	178,106	165,173
– Financial assets measured at amortised cost	1,526,370	1,531,024
– Financial assets at fair value through other comprehensive income	413,768	412,100
Long-term receivables	123,042	119,434
Other financial assets	35,016	30,608
Total	7,209,298	7,328,638
Off-balance sheet credit commitments	1,269,632	1,279,620
Maximum credit risk exposure	8,478,930	8,608,258

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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 30 June 2024, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	283,484	-	-	283,484	-	-	-	-
Balances with banks and other financial institutions	66,048	-	-	66,048	(2)	-	-	(2)
Placements with banks and other financial institutions	177,549	-	1,193	178,742	(419)	-	(1,193)	(1,612)
Financial assets held under resale agreements	20,724	-	457	21,181	-	-	(18)	(18)
Loans and advances to customers								
- Corporate loans and advances	2,491,336	158,455	57,379	2,707,170	(18,123)	(17,612)	(25,866)	(61,601)
- Personal loans and advances	1,693,428	30,668	29,756	1,753,852	(7,621)	(6,910)	(20,736)	(35,267)
Financial investments	1,909,857	7,095	34,750	1,951,702	(2,301)	(469)	(10,812)	(13,582)
Long-term receivables	111,312	8,529	6,076	125,917	(784)	(369)	(1,722)	(2,875)
Off-balance sheet credit commitments	1,265,316	4,315	1	1,269,632	(975)	(55)	-	(1,030)

- (b) As at 31 December 2023, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	383,365	-	-	383,365	-	-	-	-
Balances with banks and other financial institutions	129,682	-	-	129,682	(4)	-	-	(4)
Placements with banks and other financial institutions	173,098	-	1,193	174,291	(537)	-	(976)	(1,513)
Financial assets held under resale agreements	35,364	-	435	35,799	(1)	-	(25)	(26)
Loans and advances to customers								
- Corporate loans and advances	2,439,174	150,250	59,039	2,648,463	(18,374)	(18,204)	(26,816)	(63,394)
- Personal loans and advances	1,712,002	33,255	26,981	1,772,238	(7,858)	(7,220)	(18,972)	(34,050)
Financial investments	1,912,187	5,125	36,022	1,953,334	(2,793)	(406)	(9,187)	(12,386)
Long-term receivables	107,995	7,909	6,309	122,213	(707)	(436)	(1,636)	(2,779)
Off-balance sheet credit commitments	1,273,665	5,939	16	1,279,620	(1,065)	(146)	(1)	(1,212)

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For the six months ended 30 June 2024
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10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(6) Loans and advances to customers

(a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	30 June 2024	31 December 2023
Stage 1		
Unsecured loans	1,256,632	1,207,124
Guaranteed loans	792,024	737,403
Loans secured by		
Tangible assets other than monetary assets	1,622,009	1,627,683
Monetary assets	497,370	562,834
Subtotal	4,168,035	4,135,044
Stage 2		
Unsecured loans	19,399	23,083
Guaranteed loans	21,011	23,835
Loans secured by		
Tangible assets other than monetary assets	91,569	85,945
Monetary assets	36,196	31,075
Subtotal	168,175	163,938
Stage 3		
Unsecured loans	20,068	19,193
Guaranteed loans	17,025	13,303
Loans secured by		
Tangible assets other than monetary assets	43,283	43,551
Monetary assets	6,641	9,848
Subtotal	87,017	85,895
Total	4,423,227	4,384,877
Credit-impaired loans secured by collateral	25,337	21,649

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For the six months ended 30 June 2024
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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 2024		31 December 2023	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	551,841	12.47	556,874	12.70
Manufacturing	505,553	11.43	465,092	10.61
Real estate	340,400	7.69	346,298	7.90
Wholesale and retail	302,001	6.83	286,014	6.52
Water, environment and public utilities management	172,905	3.91	170,648	3.89
Transportation, storage and postal services	168,471	3.81	168,187	3.84
Financial services	147,281	3.33	165,194	3.77
Production and supply of electric power, heat, gas and water	138,355	3.13	130,512	2.98
Construction	130,797	2.96	119,477	2.72
Mining	66,139	1.49	69,034	1.57
Information transmission, software and IT services	42,630	0.96	42,602	0.97
Scientific research and technical service	30,405	0.69	22,216	0.50
Agriculture, forestry, animal husbandry and fishery	21,993	0.50	21,376	0.49
Others	54,826	1.24	53,831	1.23
Subtotal	2,673,597	60.44	2,617,355	59.69
Personal loans and advances	1,749,630	39.56	1,767,522	40.31
Total	4,423,227	100.00	4,384,877	100.00

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

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

(c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	30 June 2024		31 December 2023	
	Amount	(%)	Amount	(%)
Head Office	480,433	10.86	492,829	11.24
Yangtze River Delta	1,136,666	25.70	1,125,915	25.68
Pearl River Delta	712,879	16.12	689,726	15.73
Bohai Rim	681,068	15.40	701,020	15.99
Western Region	666,740	15.07	660,499	15.06
Central Region	527,173	11.92	509,089	11.61
Northeastern Region	98,690	2.23	100,418	2.29
Overseas and subsidiaries	119,578	2.70	105,381	2.40
Total	4,423,227	100.00	4,384,877	100.00

(7) Rescheduled loans and advances

Rescheduled loans and advances to customers are those loans and advances for which, due to financial difficulties on the part of the borrowers, the Group has made modifications to the contract terms that are favorable to the borrowers, or has entered into refinancing arrangements with the borrowers, including borrowing for repaying or additional debt financing, etc., to facilitate the borrowers to meet their repayment obligations. As at 30 June 2024, the amount of the Group's rescheduled loans and advances to customers is RMB26,057 million (31 December 2023: RMB22,958 million).

Rescheduled loans and advances which were not past due or past due for no more than 90 days are as follows:

	30 June 2024	31 December 2023
Loans and advances to customers	15,336	10,199
Ratio of total loans and advances to customers (%)	0.35	0.23

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For the six months ended 30 June 2024
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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 2024					
	Unrated(a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	26,589	–	–	–	–	26,589
– Corporates	5,933	–	–	–	130	6,063
Gross balance	32,522	–	–	–	130	32,652
Interest accrued						2,098
Less: Allowance for impairment losses of financial assets measured at amortised cost						(9,464)
Subtotal						25,286
Not impaired						
– Government	913,756	406,512	10,101	–	–	1,330,369
– Policy banks	144,187	–	–	714	–	144,901
– Banks and non-bank financial institutions	115,997	114,596	3,526	22,023	12,459	268,601
– Corporates	113,129	171,966	14,497	16,219	15,040	330,851
Gross balance	1,287,069	693,074	28,124	38,956	27,499	2,074,722
Interest accrued						20,336
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,100)
Subtotal						2,092,958
Total						2,118,244

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

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(8) Distribution of debt instruments analysed by issuers and rating (*continued*)

	31 December 2023					
	Unrated(a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	29,010	–	–	–	12	29,022
– Corporates	4,134	–	–	–	740	4,874
Gross balance	33,144	–	–	–	752	33,896
Interest accrued						2,126
Less: Allowance for impairment losses of financial assets measured at amortised cost						(7,854)
Subtotal						28,168
Not impaired						
– Government	884,983	377,417	5,145	2,269	–	1,269,814
– Policy banks	142,368	10	–	948	–	143,326
– Banks and non-bank financial institutions	55,027	169,880	3,645	24,516	16,720	269,788
– Corporates	84,949	227,347	32,774	13,393	18,954	377,417
Gross balance	1,167,327	774,654	41,564	41,126	35,674	2,060,345
Interest accrued						22,140
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,356)
Subtotal						2,080,129
Total						2,108,297

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates and bonds issued by policy banks, etc..

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

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For the six months ended 30 June 2024
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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 2024	31 December 2023
Trust and asset management plans		
Credit assets	28,005	30,482
Bonds and others	19,007	17,185
Total	47,012	47,667

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on – and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments, foreign exchange and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

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(Expressed in millions of Renminbi, unless otherwise stated)

10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Exchange rate risk of trading books arises from currency exposure conducted for customers, market making, proprietary trading, foreign exchange and foreign exchange derivative financial instrument transactions for the purpose of obtaining spreads or locking in arbitrage. The Bank measures exchange rate risk indicators through the identification of exchange rate risk factors and comprehensively evaluates the impact of changes in risk factors on each portfolio, product category and the Bank's profit and loss situation.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest are mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

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For the six months ended 30 June 2024
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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 2024				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	283,737	4,852	324	223	289,136
Balances with banks and other financial institutions	36,090	25,439	1,735	2,782	66,046
Placements with banks and other financial institutions	154,739	18,506	3,466	419	177,130
Financial assets held under resale agreements	21,163	–	–	–	21,163
Loans and advances to customers	4,212,216	92,942	37,389	22,274	4,364,821
Financial investments	2,143,235	108,924	6,315	15,962	2,274,436
Long-term receivables	106,126	16,916	–	–	123,042
Other assets	160,158	43,311	898	30,872	235,239
Total assets	7,117,464	310,890	50,127	72,532	7,551,013
Liabilities:					
Borrowings from central bank	296,279	–	–	–	296,279
Deposits and placements from banks and other financial institutions	1,069,971	82,571	13,367	16,392	1,182,301
Borrowings from banks and other financial institutions	80,996	36,675	1,180	–	118,851
Financial assets sold under repurchase agreements	162,350	8,067	3,356	2,501	176,274
Deposits from customers	3,925,448	177,391	19,499	15,196	4,137,534
Debt securities issued	855,678	–	–	–	855,678
Lease liabilities	9,201	–	121	–	9,322
Other liabilities	137,239	20,062	2,699	5,132	165,132
Total liabilities	6,537,162	324,766	40,222	39,221	6,941,371
Net position	580,302	(13,876)	9,905	33,311	609,642
Foreign currency derivatives	56,596	(33,437)	(15,805)	(6,918)	436
Off-balance sheet credit commitments	1,223,505	39,701	3,577	2,849	1,269,632

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10 Financial risk management (*continued*)10.3 Market risk (*continued*)(2) Currency risk (*continued*)

	31 December 2023				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	352,299	37,584	286	198	390,367
Balances with banks and other financial institutions	60,976	18,731	2,417	47,554	129,678
Placements with banks and other financial institutions	154,348	15,767	1,996	667	172,778
Financial assets held under resale agreements	35,773	–	–	–	35,773
Loans and advances to customers	4,171,618	96,216	35,541	20,533	4,323,908
Financial investments	2,140,966	109,853	6,594	14,729	2,272,142
Long-term receivables	102,608	16,826	–	–	119,434
Other assets	160,120	41,659	802	28,304	230,885
Total assets	7,178,708	336,636	47,636	111,985	7,674,965
Liabilities:					
Borrowings from central bank	326,454	–	–	–	326,454
Deposits and placements from banks and other financial institutions	1,127,986	83,835	16,994	13,244	1,242,059
Borrowings from banks and other financial institutions	76,798	35,854	3,063	–	115,715
Financial assets sold under repurchase agreements	178,632	10,227	1,913	361	191,133
Deposits from customers	4,164,357	159,474	19,084	10,366	4,353,281
Debt securities issued	675,614	212	–	–	675,826
Lease liabilities	9,409	–	151	–	9,560
Other liabilities	111,001	10,814	1,290	31	123,136
Total liabilities	6,670,251	300,416	42,495	24,002	7,037,164
Net position	508,457	36,220	5,141	87,983	637,801
Foreign currency derivatives	66,000	(33,807)	(11,776)	(20,421)	(4)
Off-balance sheet credit commitments	1,239,280	34,165	2,380	3,795	1,279,620

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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 30 June 2024, assuming other variables remain unchanged, with 1% appreciation of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB201 million (31 December 2023 with 1% appreciation increase by RMB475 million); with 1% depreciation of the US dollar against the RMB would increase both the Group's net profit and equity by RMB201 million (31 December 2023: decrease by RMB475 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities that contains the following assumptions:

- a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by 1% against the RMB's average rate on the reporting date;
- b. The fluctuation of exchange rates by 1% is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;
- c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;
- d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps, etc.;
- e. Other variables (including interest rates) remained unchanged; and
- f. The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

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10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

(a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, valuation analyses, sensitivity analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group strengthens interest rate risk management in the banking book by setting risk limits such as duration and valuation loss tolerance. The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs scenario analyses and stress tests on a regular basis, and adjusts asset and liability repricing maturity strategy and manage interest rate risk.

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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 2024						Total
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:							
Cash and balances with central bank	283,370	–	–	–	–	5,766	289,136
Balances with banks and other financial institutions	49,807	4,850	9,510	1,771	6	102	66,046
Placements with banks and other financial institutions	26,499	19,680	115,383	15,215	–	353	177,130
Financial assets held under resale agreements	21,134	–	–	–	–	29	21,163
Loans and advances to customers	588,474	793,413	2,059,937	725,028	160,174	37,795	4,364,821
Financial investments	95,293	84,696	290,403	1,061,352	555,770	186,922	2,274,436
Long-term receivables	19,287	10,358	46,845	42,433	4,119	–	123,042
Other assets	–	338	23	48	–	234,830	235,239
Total assets	1,083,864	913,335	2,522,101	1,845,847	720,069	465,797	7,551,013
Liabilities:							
Borrowings from central bank	5,258	53,353	233,547	–	–	4,121	296,279
Deposits and placements from banks and other financial institutions	692,171	346,100	137,685	–	–	6,345	1,182,301
Borrowings from banks and other financial institutions	33,223	19,653	59,331	5,389	404	851	118,851
Financial assets sold under repurchase agreements	115,792	28,460	31,784	–	–	238	176,274
Deposits from customers	1,877,121	276,608	861,919	1,049,060	24	72,802	4,137,534
Debt securities issued	60,737	189,696	542,810	60,884	–	1,551	855,678
Lease liabilities	211	467	2,098	5,533	1,013	–	9,322
Other liabilities	57,030	243	2,240	–	–	105,619	165,132
Total liabilities	2,841,543	914,580	1,871,414	1,120,866	1,441	191,527	6,941,371
Interest rate gap	(1,757,679)	(1,245)	650,687	724,981	718,628	274,270	609,642

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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 2023						Total
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:							
Cash and balances with central bank	383,233	–	–	–	–	7,134	390,367
Balances with banks and other financial institutions	115,119	5,719	7,065	1,567	85	123	129,678
Placements with banks and other financial institutions	26,141	26,616	71,398	48,227	–	396	172,778
Financial assets held under resale agreements	35,434	300	–	–	–	39	35,773
Loans and advances to customers	792,629	711,038	1,850,375	776,058	157,984	35,824	4,323,908
Financial investments	89,858	147,604	324,086	996,360	518,235	195,999	2,272,142
Long-term receivables	18,054	8,370	44,018	44,041	4,951	–	119,434
Other assets	211	29	183	30	–	230,432	230,885
Total assets	1,460,679	899,676	2,297,125	1,866,283	681,255	469,947	7,674,965
Liabilities:							
Borrowings from central bank	10,013	68,923	244,539	–	–	2,979	326,454
Deposits and placements from banks and other financial institutions	574,151	281,427	380,004	–	–	6,477	1,242,059
Borrowings from banks and other financial institutions	26,396	32,744	50,883	4,502	422	768	115,715
Financial assets sold under repurchase agreements	133,326	21,316	36,139	–	–	352	191,133
Deposits from customers	2,198,701	333,487	692,635	1,057,624	556	70,278	4,353,281
Debt securities issued	33,723	177,805	323,222	47,576	89,992	3,508	675,826
Lease liabilities	230	362	2,153	5,608	1,207	–	9,560
Other liabilities	67	1,053	985	–	–	121,031	123,136
Total liabilities	2,976,607	917,117	1,730,560	1,115,310	92,177	205,393	7,037,164
Interest rate gap	(1,515,928)	(17,441)	566,565	750,973	589,078	264,554	637,801

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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 at the end of the reporting period, their potential impact on the Group's net interest income and shareholders' equity for the following 12 months is as follows:

	30 June 2024 (Loss)/Gain	31 December 2023 (Loss)/Gain
Up 100 bps parallel shift in yield curves	(10,811)	(8,469)
Down 100 bps parallel shift in yield curves	10,811	8,469

In performing the interest rate sensitivity analysis, the Group and the Bank has made general assumptions in defining business terms and financial parameters, but have not considered the following:

- 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;
- the impact of interest rate fluctuations on customers' behaviour;
- the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- the impact of interest rate fluctuations on market prices;
- the impact of interest rate fluctuations on off-balance sheet products;
- the impact of interest rate fluctuations on fair value of financial instruments;
- other variables (including foreign exchange rate); and
- other risk management measures in the Group.

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10 Financial risk management (*continued*)

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Asset and Liability and Financial Management Department is responsible for the daily liquidity risk management through the following procedures:

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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.

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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 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	251,464	37,672	-	-	-	-	-	289,136
Balances with banks and other financial institutions	-	43,148	5,700	4,865	9,543	2,784	6	66,046
Placements with banks and other financial institutions	-	-	26,668	19,833	115,414	15,215	-	177,130
Financial assets held under resale agreements	439	-	20,724	-	-	-	-	21,163
Loans and advances to customers	52,920	12,436	349,569	298,111	1,306,507	1,207,664	1,137,614	4,364,821
Financial investments	192,400	-	75,847	78,977	287,477	1,078,412	561,323	2,274,436
Long-term receivables	6,271	2,403	4,700	8,778	39,908	55,717	5,265	123,042
Other assets	184,636	925	11,339	5,463	17,310	13,816	1,750	235,239
Total assets	688,130	96,584	494,547	416,027	1,776,159	2,373,608	1,705,958	7,551,013

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10 Financial risk management (*continued*)**10.4 Liquidity risk (*continued*)****(2) Maturity analysis (*continued*)**

	30 June 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	5,327	54,407	236,545	-	-	296,279
Deposits and placements from banks and other financial institutions	-	465,255	231,443	347,619	137,984	-	-	1,182,301
Borrowings from banks and other financial institutions	-	-	21,021	16,895	62,268	15,090	3,577	118,851
Financial assets sold under repurchase agreements	-	-	115,909	28,558	31,807	-	-	176,274
Deposits from customers	-	1,743,800	164,703	278,260	873,672	1,077,075	24	4,137,534
Debt securities issued	-	50	60,786	189,723	544,235	60,884	-	855,678
Lease liabilities	-	-	211	467	2,098	5,533	1,013	9,322
Other liabilities	1,947	16,354	91,816	20,225	20,761	12,068	1,961	165,132
Total liabilities	1,947	2,225,459	691,216	936,154	1,909,370	1,170,650	6,575	6,941,371
Net position	686,183	(2,128,875)	(196,669)	(520,127)	(133,211)	1,202,958	1,699,383	609,642
Notional amount of derivatives	-	-	796,825	891,439	2,262,398	928,074	4,306	4,883,042

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10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(2) Maturity analysis (*continued*)

	31 December 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	292,660	97,707	-	-	-	-	-	390,367
Balances with banks and other financial institutions	-	109,921	5,306	5,729	7,070	1,567	85	129,678
Placements with banks and other financial institutions	217	-	26,028	26,743	71,520	48,270	-	172,778
Financial assets held under resale agreements	432	-	35,040	301	-	-	-	35,773
Loans and advances to customers	50,052	9,377	372,788	313,879	1,260,862	1,204,067	1,112,883	4,323,908
Financial investments	192,027	-	56,271	139,940	316,281	1,043,099	524,524	2,272,142
Long-term receivables	5,242	1,198	4,715	9,261	37,843	55,852	5,323	119,434
Other assets	178,662	618	11,284	10,229	17,390	11,178	1,524	230,885
Total assets	719,292	218,821	511,432	506,082	1,710,966	2,364,033	1,644,339	7,674,965
Liabilities:								
Borrowings from central bank	-	-	10,269	70,450	245,735	-	-	326,454
Deposits and placements from banks and other financial institutions	-	450,230	128,399	282,733	380,697	-	-	1,242,059
Borrowings from banks and other financial institutions	-	-	21,102	22,674	58,122	11,860	1,957	115,715
Financial assets sold under repurchase agreements	-	-	133,431	21,384	36,318	-	-	191,133
Deposits from customers	-	2,041,989	192,282	339,835	703,849	1,074,916	410	4,353,281
Debt securities issued	-	-	33,723	179,346	325,189	47,576	89,992	675,826
Lease liabilities	-	-	230	362	2,153	5,608	1,207	9,560
Other liabilities	2,178	10,448	14,081	61,728	20,064	12,748	1,889	123,136
Total liabilities	2,178	2,502,667	533,517	978,512	1,772,127	1,152,708	95,455	7,037,164
Net position	717,114	(2,283,846)	(22,085)	(472,430)	(61,161)	1,211,325	1,548,884	637,801
Notional amount of derivatives	-	-	751,399	946,685	1,952,414	889,620	2,370	4,542,488

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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, loans and advances and long-term receivables refer to the unimpaired amounts of such assets that have been overdue for less than 1 month.

	30 June 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	251,464	37,672	–	–	–	–	–	289,136
Balances with banks and other financial institutions	–	43,154	5,702	4,871	9,605	2,784	6	66,122
Placements with banks and other financial institutions	1,193	–	27,270	20,498	115,895	15,575	–	180,431
Financial assets held under resale agreements	457	–	20,725	–	–	–	–	21,182
Loans and advances to customers	100,482	14,400	367,245	327,590	1,415,442	1,463,328	1,524,015	5,212,502
Financial investments	195,705	–	78,833	86,279	336,767	1,183,895	668,146	2,549,625
Long-term receivables	9,590	2,609	5,117	9,626	43,858	64,754	7,002	142,556
Other assets	184,636	925	6,213	1,766	7,643	12,067	1,637	214,887
Total assets (expected maturity date)	743,527	98,760	511,105	450,630	1,929,210	2,742,403	2,200,806	8,676,441

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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 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	5,331	54,660	239,290	-	-	299,281
Deposits and placements from banks and other financial institutions	-	465,677	231,891	350,019	139,295	-	-	1,186,882
Borrowings from banks and other financial institutions	-	-	21,093	17,145	63,263	16,729	4,353	122,583
Financial assets sold under repurchase agreements	-	-	115,951	28,720	32,117	-	-	176,788
Deposits from customers	-	1,743,800	166,604	283,435	910,749	1,161,404	25	4,266,017
Debt securities issued	-	50	60,867	190,925	554,488	64,935	-	871,265
Lease liabilities	-	-	228	506	2,272	5,989	1,097	10,092
Other liabilities	1,947	16,354	84,443	13,062	11,541	11,096	1,941	140,384
Total liabilities (contractual maturity date)	1,947	2,225,881	686,408	938,472	1,953,015	1,260,153	7,416	7,073,292

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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 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	292,660	97,707	–	–	–	–	–	390,367
Balances with banks and other financial institutions	–	109,925	5,322	5,833	7,184	1,567	85	129,916
Placements with banks and other financial institutions	1,193	–	26,666	27,901	73,815	49,066	–	178,641
Financial assets held under resale agreements	457	–	35,047	301	–	–	–	35,805
Loans and advances to customers	99,954	12,319	389,545	342,981	1,373,433	1,471,118	1,514,245	5,203,595
Financial investments	192,112	–	60,009	147,978	357,696	1,152,401	627,474	2,537,670
Long-term receivables	8,280	1,317	5,115	10,073	41,373	64,956	7,218	138,332
Other assets	183,277	618	6,524	1,707	8,975	9,083	1,443	211,627
Total assets (expected maturity date)	777,933	221,886	528,228	536,774	1,862,476	2,748,191	2,150,465	8,825,953
Liabilities:								
Borrowings from central bank	–	–	10,276	70,738	250,580	–	–	331,594
Deposits and placements from banks and other financial institutions	–	450,627	128,757	283,159	381,551	–	–	1,244,094
Borrowings from banks and other financial institutions	–	–	21,165	24,296	59,660	13,193	2,217	120,531
Financial assets sold under repurchase agreements	–	–	133,456	21,471	36,913	–	–	191,840
Deposits from customers	–	2,041,989	193,088	347,730	712,469	1,099,296	411	4,394,983
Debt securities issued	–	–	33,772	180,476	331,485	64,360	95,542	705,635
Lease liabilities	–	–	251	394	2,342	6,100	1,313	10,400
Other liabilities	2,178	10,448	7,896	49,716	10,569	11,174	1,879	93,860
Total liabilities (contractual maturity date)	2,178	2,503,064	528,661	977,980	1,785,569	1,194,123	101,362	7,092,937

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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 2024					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	(59)	241	1,279	47	–	1,508
Interest rate derivatives	253	163	992	558	9	1,975
Credit derivatives	28	–	28	192	–	248
Total	222	404	2,299	797	9	3,731

	31 December 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	(168)	70	412	63	–	377
Interest rate derivatives	39	681	780	786	11	2,297
Credit derivatives	16	–	37	82	–	135
Total	(113)	751	1,229	931	11	2,809

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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 and swaps

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

	30 June 2024					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(207,877)	(106,179)	(199,960)	(76,137)	–	(590,153)
– Cash inflow	207,588	106,020	198,757	76,716	–	589,081
Precious metal derivatives						
– Cash outflow	(47,046)	(39,442)	(37,690)	–	–	(124,178)
– Cash inflow	44,635	35,294	37,007	–	–	116,936
Total cash outflow	(254,923)	(145,621)	(237,650)	(76,137)	–	(714,331)
Total cash inflow	252,223	141,314	235,764	76,716	–	706,017

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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 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(120,834)	(94,199)	(158,192)	(128,398)	–	(501,623)
– Cash inflow	120,784	93,355	158,387	128,716	–	501,242
Precious metal derivatives						
– Cash outflow	(25,222)	(23,262)	(28,125)	–	–	(76,609)
– Cash inflow	23,873	20,224	26,927	–	–	71,024
Total cash outflow	(146,056)	(117,461)	(186,317)	(128,398)	–	(578,232)
Total cash inflow	144,657	113,579	185,314	128,716	–	572,266

(5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	30 June 2024			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	464,786	–	–	464,786
Letters of credit	113,274	461	–	113,735
Guarantees	97,233	38,189	1,206	136,628
Unused credit card commitments	510,741	–	–	510,741
Irrevocable credit commitments	31,003	10,622	2,117	43,742
Total	1,217,037	49,272	3,323	1,269,632

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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 2023			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	476,334	–	–	476,334
Letters of credit	106,523	507	–	107,030
Guarantees	86,733	43,912	351	130,996
Unused credit card commitments	514,685	–	–	514,685
Irrevocable credit commitments	35,731	11,177	3,667	50,575
Total	1,220,006	55,596	4,018	1,279,620

10.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk the Group is exposed to mainly comprises internal and external fraud, employment practices and safety incidents in working places, events related to customers, products and business operations, damages of tangible assets, interruption of business, IT system incidents, and execution, delivery and process management incidents.

During the reporting period, the Bank continued to optimize its operational risk management system, improve the closed-loop management process, and promote the “Year for Strengthening Operational Risk Governance” initiative, which comprised various programs for operational risk reviews, assessments, rectifications and improvements. Other major efforts include: continuing to promote the implementation of standardized approach for operational risk, and preparation of operational risk capital measurement statements under the New Capital Rules; implementing the new mechanisms for outsourced risk control, further refining the scope of activities eligible for outsourcing, and dynamically updating the management standards for outsourced activities; and continuing to improve its business continuity management practices and capabilities, conducting special inspections of business continuity management, and organizing subject matter training on business continuity across the bank.

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10 Financial risk management (*continued*)

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of policies to accrue country risk reserve.

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2024, the Group computes the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 and Appendix 3 of *The Capital Rules for Commercial Banks (Provisional)*, and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The Group's capital adequacy ratios are calculated in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. For the Group, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.75%, 8.75% and 10.75%, respectively.

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10 Financial risk management (*continued*)10.7 Capital management (*continued*)

The Group's capital adequacy ratios are as below:

	30 June 2024	31 December 2023
Core tier-one capital adequacy ratio	9.35%	9.28%
Tier-one capital adequacy ratio	10.32%	10.95%
Capital adequacy ratio	12.30%	13.14%
Components of capital base		
Core tier-one capital:		
Share capital	43,782	43,782
Valid portion of capital reserve	58,111	58,149
Surplus reserve	58,805	58,805
General reserve	95,391	95,237
Retained earnings	281,060	271,645
Valid portion of non-controlling interests	7,198	8,053
Others	3,992	2,022
Core tier-one capital	548,339	537,693
Core tier-one capital deductions	(6,647)	(3,841)
Net core tier-one capital	541,692	533,852
Net other tier-one capital	55,826	96,036
Net tier-one capital	597,518	629,888
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	79,993	89,992
Surplus provision for loan impairment	32,874	33,388
Valid portion of non-controlling interests	1,786	2,148
Net tier-two capital	114,653	125,528
Net capital base	712,171	755,416
Credit risk-weighted assets	5,449,014	5,413,859
Market risk-weighted assets	59,103	65,225
Operational risk-weighted assets	282,625	270,988
Total risk-weighted assets	5,790,742	5,750,072

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11 Fair value of financial instruments

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.
- Level 2: The debt securities classified as level 2 are RMB bonds and foreign currency bonds. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Other financial instruments classified as level 2 include derivative contracts, discounted bills and forfaiting, which are valued using discounted cash flow method and Blair-Scholes model, etc. All significant valuation parameters are obtained from observable market information.
- Level 3: Financial instruments classified as level 3 include equity instruments and debt instruments, whose valuation involves one or more significant unobservable inputs, mainly including right of trust benefit, non-listed equities, subordinated tranches of asset-backed securities, convertible bonds, and asset management plans, etc. The valuation techniques used include discounted cash flow method, market approach and income approach, etc. Unobservable inputs for valuation models include discount rates and discounts for lack of marketability (DLOM), etc.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments (*continued*)

11.1 Financial instruments recorded at fair value

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

	30 June 2024			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	154,228	3,815	158,043
Equity investments	1,315	2,077	12,858	16,250
Investment funds	105,207	18,693	1,180	125,080
Trust and asset management plans	–	12,645	6,362	19,007
Others	5,833	706	1,055	7,594
Financial assets at fair value through other comprehensive income				
Debt securities	–	412,521	1,247	413,768
Equity investments	–	2,309	6,015	8,324
Loans and advances to customers at fair value through other comprehensive income	–	243,211	–	243,211
Derivative financial assets				
Foreign exchange derivatives	–	16,177	–	16,177
Interest rate derivatives	–	1,688	–	1,688
Precious metal derivatives	–	2,449	–	2,449
Others	–	38	–	38
Total	112,355	866,742	32,532	1,011,629
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(14,514)	–	(14,514)
Interest rate derivatives	–	(615)	–	(615)
Precious metal derivatives	–	(9,619)	–	(9,619)
Financial liabilities at fair value through profit or loss	–	(57,542)	(332)	(57,874)
Total	–	(82,290)	(332)	(82,622)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments (continued)

11.1 Financial instruments recorded at fair value (continued)

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	142,836	3,255	146,091
Equity investments	1,535	1,932	16,170	19,637
Investment funds	118,979	11,115	1,463	131,557
Trust and asset management plans	–	10,975	6,210	17,185
Others	3,979	202	1,896	6,077
Financial assets at fair value through other comprehensive income				
Debt securities	–	411,160	940	412,100
Equity investments	–	2,578	5,893	8,471
Loans and advances to customers at fair value through other comprehensive income	–	279,998	–	279,998
Derivative financial assets				
Foreign exchange derivatives	–	22,130	–	22,130
Interest rate derivatives	–	1,733	–	1,733
Precious metal derivatives	–	908	–	908
Others	–	26	–	26
Total	124,493	885,593	35,827	1,045,913
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(22,011)	–	(22,011)
Interest rate derivatives	–	(676)	–	(676)
Precious metal derivatives	–	(6,585)	–	(6,585)
Others	–	(4)	–	(4)
Financial liabilities at fair value through profit or loss	–	(35,013)	(814)	(35,827)
Total	–	(64,289)	(814)	(65,103)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments (continued)**11.1 Financial instruments recorded at fair value (continued)**

For equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of level 3 financial instruments during the period:

	Six months ended 30 June 2024					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total	Financial assets at fair value through profit or loss liabilities	Total liabilities
As at 1 January 2024	28,994	940	5,893	35,827	814	814
Total gains/(losses)						
In profit or loss	(2,619)	(103)	–	(2,722)	–	–
In other comprehensive income	–	(321)	122	(199)	–	–
Purchase/transfer in	1,565	759	–	2,324	–	–
Settlement/transfer out	(2,670)	(28)	–	(2,698)	(482)	(482)
As at 30 June 2024	25,270	1,247	6,015	32,532	332	332
Total realised gains included in the consolidated statement of profit or loss	245	–	–	245	–	–
Total unrealised losses included in the consolidated statement of profit or loss	(2,864)	(103)	–	(2,967)	–	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments *(continued)*

11.2 Movement in level 3 financial instruments measured at fair value *(continued)*

The following table shows the movement of level 3 financial instruments during the period:
(continued)

	Year ended 31 December 2023					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income			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 gains/(losses)						
In profit or loss	(617)	(13)	–	(630)	–	–
In other comprehensive income	–	2	569	571	–	–
Purchase/transfer in	4,639	140	63	4,842	544	544
Settlement/transfer out	(4,366)	(30)	–	(4,396)	–	–
As at 31 December 2023	28,994	940	5,893	35,827	814	814
Total realised gains included in the consolidated statement of profit or loss	55	–	–	55	–	–
Total unrealised losses included in the consolidated statement of profit or loss	(672)	(13)	–	(685)	–	–

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments (*continued*)

11.3 Fair value of financial assets and liabilities not carried at fair value

The Group's financial assets and liabilities that are not measured at fair value mainly include cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers measured at amortised cost, financial investments measured at amortised cost, long-term receivables, borrowings from central bank, placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers, debt securities issued, and financial assets held under resale agreements and sold under repurchase agreements.

Except for loans and advances measured at amortised cost, financial investments measured at amortised cost and debt securities issued, the majority of financial assets and financial liabilities not carried at fair value have a maturity of less than a year or have a floating interest rate, and their book values approximate their fair values.

(1) Loans and advances to customers measured at amortised cost

Loans and advances to customers are stated at amortised costs less loss/allowances for impairment loss. Since the loans and advances at amortised cost are mostly priced with reference to the Loan Prime Rates (LPRs), they are repriced at least annually with reference to the market interest rates. For impaired loans, impairment allowances are made to reduce their carrying amounts to reflect their estimated recoverable amounts. Accordingly, the carrying values of loans and advances to customers approximate their fair values.

(2) Financial investments measured at amortised cost

The fair values of financial investments measured at amortised cost are usually measured based on "bid" market prices or quotations of the brokers'/dealers. If relevant market information is not available, their fair value are based on quoted prices of security products with similar characteristics, such as credit risk, maturity and yield.

(3) Debt securities issued

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

11 Fair value of financial instruments (*continued*)

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

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

	30 June 2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,526,370	1,574,497	–	1,530,020	44,477
Financial liabilities					
Debt securities issued	855,678	853,005	–	853,005	–

	31 December 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,531,024	1,536,026	–	1,488,415	47,611
Financial liabilities					
Debt securities issued	675,826	669,980	–	669,980	–

12 Subsequent events

RMB30 billion worth of 2024 Undated Capital Bonds-Series 1 were issued on 15 August 2024, with a coupon rate of 2.35% per annum.

13 Comparative figures

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

1 Liquidity coverage ratio

	As at 30 June 2024	As at 31 December 2023
Liquidity coverage ratio (%) (RMB and foreign currency)	140.61	146.06
High Quality Liquid Assets	1,087,109	1,125,729
Net cash outflows in 30 days from the end of the reporting period	773,127	770,717

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the former CBIRC and based on the financial information prepared in accordance with PRC GAAP.

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

2 Currency concentration

	30 June 2024			
	USD	HKD	Others	Total
Spot assets	310,699	51,206	72,982	434,887
Spot liabilities	(321,118)	(40,127)	(39,221)	(400,466)
Forward purchases	1,156,713	17,212	116,772	1,290,697
Forward sales	(1,164,919)	(33,017)	(148,455)	(1,346,391)
Net (short)/long position (a)	(18,625)	(4,726)	2,078	(21,273)

	31 December 2023			
	USD	HKD	Others	Total
Spot assets	338,056	48,543	112,637	499,236
Spot liabilities	(297,245)	(42,175)	(24,002)	(363,422)
Forward purchases	1,137,604	5,724	73,280	1,216,608
Forward sales	(1,141,366)	(17,499)	(117,890)	(1,276,755)
Net long/(short) position (a)	37,049	(5,407)	44,025	75,667

(a) The net position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reporting periods.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

3 Loans and advances to customers

3.1 Impaired loans by geographical area

	30 June 2024		31 December 2023	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	17,050	15,628	16,273	15,012
Bohai Rim	25,273	12,016	21,695	10,577
Yangtze River Delta	14,133	6,616	16,247	6,484
Western Region	12,657	4,651	12,779	5,255
Pearl River Delta	6,716	3,031	8,062	3,751
Central Region	6,930	2,324	7,274	2,986
Northeastern Region	1,394	642	1,269	533
Overseas and subsidiaries	2,982	1,694	2,421	1,190
Total	87,135	46,602	86,020	45,788

3.2 Loans overdue for more than 3 months by geographical area

	30 June 2024		31 December 2023	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	16,898	15,617	16,141	15,000
Bohai Rim	13,311	5,088	10,993	3,835
Western Region	11,812	4,320	10,549	4,497
Yangtze River Delta	11,837	4,758	8,685	3,522
Pearl River Delta	6,168	2,797	5,608	2,978
Central Region	4,480	1,666	4,842	2,251
Northeastern Region	975	470	878	390
Overseas and subsidiaries	2,889	1,512	2,355	1,111
Total	68,370	36,228	60,051	33,584

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of China Minsheng Banking Corp., Ltd.

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

Opinion

We have audited the consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

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 2024 and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") 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 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"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

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.

The key audit matter	How the matter was addressed in our audit
Measurement of expected credit loss allowance for loans and advances to customers and financial investments at amortised cost Refer to Note 2.10, Note 3.2, Note 4.17 and Note 4.18 to the consolidated financial statements. As at 31 December 2024, total loans and advances to customers in the Group's consolidated balance sheet was RMB4,488,440 million, and the allowance for expected credit losses (ECLs) was RMB93,129 million. Total financial investments at amortised cost subject to the ECL assessment was RMB1,492,246 million, and allowance for ECLs was RMB11,448 million. The Group uses an expected credit loss ("ECL") model to measure the loss allowance for loans and advances to customers and financial in accordance with IFRS 9, Financial instruments. The determination of loss allowances using the ECL model is subject to a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default, discount rate, adjustments for forward-looking information and other adjustment factors. Extensive management judgment is involved in the selection of those parameters and the application of the assumptions.	Our audit procedures to assess ECL allowance for loans and advances to customers and financial investments at amortised cost included the following: • with the assistance of KPMG's IT specialists, understanding and assessing the design, implementation and operating effectiveness of key internal controls over the credit approval, recording and monitoring, the credit risk staging, ECL model update and the measurement of ECL allowance for loans and advances to customers and financial investments at amortised cost. • with the assistance of KPMG's financial risk management specialists, assessing the appropriateness of the ECL model used by management for determining the loss allowances and the key parameters and assumptions in the model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information, other management adjustments and assessing the appropriateness of related key management judgment.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

The key audit matter	How the matter was addressed in our audit
Measurement of expected credit loss allowance for loans and advances to customers and financial investments at amortised cost <i>(continued)</i> The determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL allowance for corporate loans and financial investments at amortised cost considers the historical losses, internal and external credit grading and adjustment factors. The ECL allowance for personal loans and advances takes into consideration historical overdue data, the historical loss experience for personal loans and adjustment factors.	• assessing key parameters involving judgment by seeking evidence from external sources and comparing to The Group's internal records including historical loss experience and type of collateral. As part of these procedures, we inquired the reasons for management's revisions to estimates and input parameters compared with prior period and considered the consistency of judgment. • comparing the macroeconomic forward-looking information in the models with market information to assess whether they were aligned with market and economic development. • assessing the completeness and accuracy of data used for the key parameters in the ECL model. For key internal data, we compared the total balance of the loan and financial investment list used by management to assess the ECL allowances with the general ledger to check the completeness of the data. We also selected samples to compare information of individual loan and advance to customers and financial investment with the underlying agreements and other documentation to check the accuracy of the data. In addition, we checked the accuracy of key external data used by management by comparing them with public sources.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

The key audit matter	How the matter was addressed in our audit
Measurement of expected credit loss allowance for loans and advances to customers and financial investments at amortised cost <i>(continued)</i> Management also exercises judgment in determining the quantum of loss given default based on a range of factors. These factors include the financial situation of the borrower, the guarantee type, the seniority of the claim, the recoverable amount of any collaterals, and repayment sources of the borrower. Management refers to valuation reports issued by qualified third party valuers and considers the impact of various factors including the market price, location, status and use when assessing the value of collaterals. The enforceability, timing and means of realisation of the collateral can also have an impact on the recoverable amount of collateral.	• for key parameters used in the ECL model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved KPMG's IT specialists to assess the logics and compilation of the loans and advances' overdue information on a sample basis. • evaluating the reasonableness of management's assessment on whether the credit risk of loans and advances to customers and financial investments has, or has not, increased significantly since initial recognition and whether the mentioned financial instruments are credit-impaired. We assessed the staging of corporate loans and advances and financial investments at amortised cost by industry sectors and used a risk-based approach to select samples in industries which are more vulnerable to the current economic situation and samples which met specific risk criteria. We checked overdue information, made enquiries of the client managers about the borrowers' business operations, inspected borrowers' financial information and researched about borrowers' businesses to check the credit risk of the borrower and the reasonableness of the risk stage.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

The key audit matter	How the matter was addressed in our audit
Measurement of expected credit loss allowance for loans and advances to customers and financial investments at amortised cost <i>(continued)</i> We identified the measurement of ECL allowance of loans and advances to customers and financial investments at amortised cost as a key audit matter because of the inherent uncertainty and management judgment involved, and its significance to the financial results and capital of The Group.	- evaluating the reasonableness of loss given default for credit-impaired corporate loans and advances and financial investments at amortised cost on a sample basis, through inquiries, exercise of professional judgment and independent queries, including inspecting the financial situation of the borrower, the guarantee type, the seniority of the claim, the recoverable amount of collateral, and repayment sources of the borrower; considering the timing and means of realisation of collaterals; assessing management's valuation of collaterals based on the nature, condition, use and market price; and evaluating the consistency of the application of key assumptions by management and comparing it with our data sources. - assessing the accuracy of the Group's calculation on the ECL allowance for loans and advances to customers and financial investments at amortised cost on a sample basis. - assessing the reasonableness of the disclosures in the financial statements in relation to the ECL allowance for loans and advances to customers and financial investments at amortised cost against applicable accounting standards.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

The key audit matter	How the matter was addressed in our audit
Consolidation of structured entities Refer to Note 2.4(1), Note 3.5 and Note 7 to the consolidated financial statements. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire an ownership interest in a structured entity through initiating, managing or holding investments. These structured entities mainly include wealth management products, assets-backed securities, funds, trust investment plans and assets management plans. In determining whether the Group should consolidate a structured entity, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.	Our audit procedures to assess the consolidation of structured entities included the following: • making enquiries of management and inspecting relevant documents used by management relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has an appropriate process in this regard; • performing the following audit procedures on the structured entities on a sample basis: – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of establishment of the structured entity and the involvement that the Group has with the structured entities and to assess management's judgment over whether the Group has the ability to exercise power over the structured entities;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

The key audit matter	How the matter was addressed in our audit
Consolidation of structured entities <i>(continued)</i> We identified consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgment exercised by management in the qualitative assessment of the terms and for the nature of each entity.	- inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgment as to the exposure, or rights, to variable returns from the Group's involvement in such entity; - inspecting management's analysis of the structured entity, including qualitative analysis and calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgment over the Group's ability to affect its own returns from the structured entity; - assessing management's judgment over whether the structured entities should be consolidated or not. • assessing the reasonableness of the disclosures in the financial statements related to consolidation of structured entities against prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (*continued*)

The key audit matter	How the matter was addressed in our audit
Measurement of financial instruments' fair value Refer to Note 2.10, Note 3.3 and Note 4.18 to the consolidated financial statements. Financial instruments carried at fair value account for a significant part of the Group's assets/liabilities. The fair value adjustments of financial instruments may impact either the profit or loss and other comprehensive income. The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation models for which use quoted market prices and observable inputs, respectively. Where one or more significant unobservable inputs, such as credit risk, liquidity and discount rate, are involved in the valuation models, as in the case of fair value measurements that are classified as level 3 in the fair value hierarchy, extensive management judgments are involved. We identified the measurement of financial instruments' fair value as a key audit matter because of assets and liabilities measured at fair value are material to the Group and the degree of complexity involved in the valuation techniques and the degree of judgment exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the measurement of financial instruments' fair value included the following: • assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the model building, model validation, independent valuation and front office and back office reconciliations for financial instruments; • assessing the level 1 fair value of financial instruments, on a sample basis, by comparing the fair value applied by the Group with publicly available market data; • with the assistance of our financial risk management specialists, assessing the fair value of level 2 and level 3 financial instruments, on a sample basis, by evaluating the appropriateness of the Group's valuation models, evaluating the reasonableness of the inputs and the appropriateness of the application used by the Group; or obtaining inputs independently, and comparing our valuation results with that of the Group; • assessing the reasonableness of the disclosures in the financial statements in relation to fair value of financial instruments against applicable accounting standards.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all 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 that 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 the Directors 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 IFRS Accounting Standards issued by the IASB 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.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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. This report is made 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 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

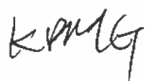
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 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.

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 Tat Ming.



KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024
(Expressed in millions of Renminbi, unless otherwise stated)

		Year ended 31 December	
	Note 4	2024	2023
Interest income		251,086	267,126
Interest expense		(152,396)	(164,695)
Net interest income	1	98,690	102,431
Fee and commission income		22,094	25,476
Fee and commission expense		(3,849)	(6,240)
Net fee and commission income	2	18,245	19,236
Net trading gain	3	3,554	4,748
Net gain from investment securities	4	10,019	8,529
Including: disposals of financial assets measured at amortised cost		1,867	1,795
Net other operating income	5	2,615	2,447
Operating expenses	6	(53,098)	(52,807)
Credit impairment losses	7	(45,474)	(45,707)
Other impairment losses	8	(466)	(1,519)
Profit before income tax		34,085	37,358
Income tax expense	10	(1,363)	(1,372)
Net profit		32,722	35,986
Net profit attributable to:			
Equity holders of the Bank		32,296	35,823
Non-controlling interests		426	163
Earnings per share (expressed in RMB Yuan)			
Basic and diluted earnings per share	11	0.64	0.72

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December	
		2024	2023
Net profit		32,722	35,986
Other comprehensive income of the year, net of tax	41	5,251	2,732
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		128	549
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income			
Changes in fair value		4,646	2,043
Allowance for impairment losses		383	(48)
Effective hedging portion of gains or losses arising from cash flow hedging instruments		5	(18)
Exchange difference on translating foreign operations		89	206
Total comprehensive income of the year		37,973	38,718
Total comprehensive income attributable to:			
Equity holders of the Bank		37,461	38,365
Non-controlling interests		512	353

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2024	31 December 2023
ASSETS			
Cash and balances with central bank	12	285,449	390,367
Balances with banks and other financial institutions	13	117,731	129,678
Precious metals		31,136	28,285
Placements with banks and other financial institutions	14	186,456	172,778
Derivative financial assets	15	30,283	24,797
Financial assets held under resale agreements	16	76,958	35,773
Loans and advances to customers	17	4,396,036	4,323,908
Financial investments:	18		
– Financial assets at fair value through profit or loss		377,457	320,547
– Financial assets measured at amortised cost		1,480,798	1,531,024
– Financial assets at fair value through other comprehensive income		540,447	420,571
Long-term receivables	19	112,382	119,434
Property and equipment	20	59,347	60,490
Right-of-use assets	21(1)	12,650	13,279
Deferred income tax assets	22	58,149	54,592
Other assets	24	49,690	49,442
Total assets		7,814,969	7,674,965

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2024	31 December 2023
LIABILITIES			
Borrowings from central bank		261,108	326,454
Deposits and placements from banks and other financial institutions	26	1,073,706	1,242,059
Financial liabilities at fair value through profit or loss	27	43,228	35,827
Borrowings from banks and other financial institutions	28	111,993	115,715
Derivative financial liabilities	15	34,073	29,276
Financial assets sold under repurchase agreements	29	248,124	191,133
Deposits from customers	30	4,332,681	4,353,281
Lease liabilities	21(2)	9,078	9,560
Provisions	31	1,730	1,787
Debt securities issued	32	941,025	675,826
Current income tax liabilities		4,548	1,392
Deferred income tax liabilities	22	243	214
Other liabilities	33	96,864	54,640
Total liabilities		7,158,401	7,037,164

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2024	31 December 2023
EQUITY			
Share capital	34	43,782	43,782
Other equity instrument		95,000	95,000
Including: Preference shares	35	20,000	20,000
Perpetual bonds	36	75,000	75,000
Reserves			
Capital reserve	34	58,087	58,111
Surplus reserve	38	61,888	58,805
General reserve	38	99,279	95,237
Other reserves	41	7,192	2,022
Retained earnings	38	277,631	271,645
Total equity attributable to equity holders of the Bank		642,859	624,602
Non-controlling interests	39	13,709	13,199
Total equity		656,568	637,801
Total liabilities and equity		7,814,969	7,674,965

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

Approved and authorised for issue by the Board of Directors on 28 March 2025.



Gao Yingxin

Chairman



Wang Xiaoyong

President



Wen Qiuju

Director

(Company Seal)



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024
(Expressed in millions of Renminbi, unless otherwise stated)

Note 4	Attributable to equity shareholders of the Bank											
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Reserves			Retained earnings	Total	Non-controlling interests	Total equity
						Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve				
	34	35&36	34	38	38	41	41	41	38		39	
At 31 December 2023	43,782	95,000	58,111	58,805	95,237	1,507	532	(17)	271,645	624,602	13,199	637,801
(I) Net profit	-	-	-	-	-	-	-	-	32,296	32,296	426	32,722
(II) Other comprehensive income, net of tax	-	-	-	-	-	5,090	70	5	-	5,165	86	5,251
Total comprehensive income	-	-	-	-	-	5,090	70	5	32,296	37,461	512	37,973
(III) Profit distribution												
1. Appropriation to surplus reserve	-	-	-	3,083	-	-	-	-	(3,083)	-	-	-
2. Appropriation to general reserve	-	-	-	-	4,042	-	-	-	(4,042)	-	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(16,032)	(16,032)	(14)	(16,046)
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(IV) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	5	-	-	(5)	-	-	-
(V) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(2)	(2)	(1)	(3)
2. Equity transaction with minority shareholders	-	-	(15)	-	-	-	-	-	-	(15)	-	(15)
3. Equity reclassification of equity transactions with minority shareholders	-	-	(5)	-	-	-	-	-	300	295	13	308
4. Others	-	-	(4)	-	-	-	-	-	(6)	(10)	-	(10)
At 31 December 2024	43,782	95,000	58,087	61,888	99,279	6,602	602	(12)	277,631	642,859	13,709	656,568

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024
(Expressed in millions of Renminbi, unless otherwise stated)

Note 4	Attributable to equity shareholders of the Bank										
	Reserves										Total equity
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	
	34	35&36	34	38	38	41	41	41	38		39
At 31 December 2022	43,782	95,000	58,111	55,276	90,494	(1,079)	466	1	257,877	599,928	612,814
(I) Net profit	-	-	-	-	-	-	-	-	35,823	35,823	35,986
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,494	66	(18)	-	2,542	2,732
Total comprehensive income	-	-	-	-	-	2,494	66	(18)	35,823	38,365	38,718
(III) Profit distribution											
1. Appropriation to surplus reserve	-	-	-	3,529	-	-	-	-	(3,529)	-	-
2. Appropriation to general reserve	-	-	-	-	4,743	-	-	-	(4,743)	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,245)	(10,245)	(10,282)
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	(3,440)
(IV) Transfers within the owners' equity											
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	92	-	-	(92)	-	-
(V) Others											
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(6)	(6)	(9)
At 31 December 2023	43,782	95,000	58,111	58,805	95,237	1,507	532	(17)	271,645	624,602	637,801

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2024	2023
Cash flows from operating activities:		
Profit before income tax	34,085	37,358
<i>Adjustments for:</i>		
– Credit impairment losses	45,474	45,707
– Other impairment losses	466	1,519
– Depreciation and amortisation	8,710	8,314
– Gains on disposal of property and equipment of property and equipment	(366)	(51)
– Losses from changes in fair value	1,353	2,726
– Net gains on disposal of investment securities	(7,858)	(9,061)
– Interest expense on debt securities issued	19,452	16,795
– Interest expense on lease liabilities	317	330
– Interest income from financial investments	(56,891)	(59,155)
Subtotal	44,742	44,482
<i>Changes in operating assets:</i>		
Net decrease in balances with central bank, banks and other financial institutions	45,869	10,022
Net decrease in placements with banks and other financial institutions	5,049	15,731
Net increase in financial assets held under resale agreements	(41,213)	(32,747)
Net increase in loans and advances to customers	(107,796)	(283,409)
Net increase in financial assets held for trading purposes	(21,597)	(21,737)
Net increase in other operating assets	(1,866)	(24,680)
Subtotal	(121,554)	(336,820)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2024	2023
<i>Changes in operating liabilities:</i>		
Net (decrease)/increase in borrowings from central bank	(64,396)	180,427
Net increase in deposits from customers	(33,908)	289,476
Net decrease in deposits and placements from banks and other financial institutions	(166,508)	(237,078)
Net increase in financial assets sold under repurchase agreements	56,858	87,001
Income tax paid	(3,314)	(4,604)
Net increase in other operating liabilities	56,442	50,792
Subtotal	(154,826)	366,014
Net cash generated from operating activities	(231,638)	73,676

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December	
		2024	2023
Cash flows from investing activities:			
Proceeds from sale and redemption of investments and investment income		1,664,192	1,437,468
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		6,210	2,159
Cash payment for investments		(1,703,501)	(1,389,186)
Cash paid for acquisition of non-controlling interests shares in subsidiaries		(15)	–
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(9,707)	(8,677)
Net cash generated from investing activities		(42,821)	41,764
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		40,000	–
Proceeds from issue of debt securities		1,383,818	1,021,482
Payments for redemption of other equity instruments		(40,000)	–
Repayment of debt securities issued		(1,127,757)	(992,773)
Subsidiaries shares repurchased		(3)	(9)
Dividends paid and interest paid on debt securities issued		(27,252)	(28,729)
Interest paid on perpetual bonds		(3,440)	(3,440)
Cash payment in other financing activities		(3,506)	(3,791)
Net cash generated from financing activities		221,860	(7,260)
Effect of exchange rate changes on cash and cash equivalents		253	851
Net (decrease)/increase in cash and cash equivalents		(52,346)	109,031
Cash and cash equivalents at 1 January		237,336	128,305
Cash and cash equivalents at 31 December	42	184,990	237,336

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 (the “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 “CBIRC”) (In 2023, the regulator was renamed as the National Financial Regulation Administration, The “NFRA”); and the business license as approved by the Beijing Administration for Industry and Commerce; the unified social credit code is No. 91110000100018988F.

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

In these consolidated financial statements for the year ended 31 December 2024, China mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC (“Macau”) and Taiwan. Abroad of China refers to Hong Kong, Macau, Taiwan and other countries. Overseas refers to areas of other countries and regions, outside mainland China, Hong Kong, Macau, and Taiwan.

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 2024, the Bank had 43 tier-one branches and 33 subsidiaries (including 29 rural banks and 4 affiliated institutions).

2 Summary of material 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, as issued by the 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material 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 IFRS Accounting Standards 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 2024 relevant to and adopted by the Group

In current period, the Group has adopted the following IFRS Accounting Standards and amendments issued by the IASB.

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

Amendments to IAS 1: Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current liabilities that are subject to covenants within 12 months after the reporting period. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments add to the requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right-of-use it retains, including cases with variable lease payments in the leaseback. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.2 Standards and amendments effective in 2024 relevant to and adopted by the Group (*continued*)

Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

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 amendments as originally issued had an effective date of annual periods beginning on or after 1 January 2016. Now the effective date has been deferred indefinitely, but early application is permitted.
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 7 and IFRS 9	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material 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 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and 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 these amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 21: Lack of Exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability. Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. 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 7 and IFRS 9: Classification and Measurement of Financial Instruments

The amendments include requirements on: (i) classification of financial assets with environmental, social or governance ("ESG") targets and similar features; (ii) settlement of financial liabilities through electronic payment systems; and (iii) disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

IFRS 18: Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1, and aim to enhance the comparability and transparency of information about an entity's financial performance through the following three aspects: (i) a more structured statement of profit or loss; (ii) enhanced disclosure requirements on management-defined performance measures; (iii) enhanced requirements on aggregation and disaggregation of information. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

IFRS 19: Subsidiaries without Public Accountability: Disclosures

IFRS 19 allows subsidiaries that does not have public accountability and has a parent that produces consolidated accounts under IFRS Accounting Standards can reduce their disclosures. 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 FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material 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 statement of profit or loss 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 FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material 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 recognised in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised 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 recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.4 Consolidation (*continued*)

(3) Goodwill (*continued*)

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 recognised directly in the consolidated statement of profit or loss. An impairment loss recognised 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 recognised at cost and adjusted thereafter to recognise 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 recognising its share of further loss. Additional loss is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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 recognised forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognised, 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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

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 recognised 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 recognises 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 recognises revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.7 Foreign currency translations (*continued*)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the consolidated statement of profit or loss 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 amortised cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognised in the consolidated statement of profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised 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 recognised 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 statement of profit or loss on disposal of all or part of the Overseas Operations.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material 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 recognised 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 recognised or sold assets are derecognised 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material 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:

Amortised 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(1) Initial recognition, classification and measurement of financial instruments (*continued*)

(a) Financial assets (*continued*)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

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 amortised 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 amortised 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(1) Initial recognition, classification and measurement of financial instruments (*continued*)

(a) Financial assets (*continued*)

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.

(b) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at amortised 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 recognised for the consideration received for the transfer. In subsequent periods, the Group recognises 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(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 recognised 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(4) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(a) Amortised cost

The amortised 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 amortisation 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.

Effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period. Effective interest rate is that exactly discounts estimated future cash flows through the expected life of a financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating effective interest rate, the Group estimates the expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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 amortised cost. Credit-adjusted effective interest rate is that exactly discounts the estimated future cash flows through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset;
- 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 amortised 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(4) Subsequent measurement of financial instruments (*continued*)

(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 amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised 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.

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 recognised 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 recognised 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 recognised 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 recognised in other comprehensive income; and
- other changes in fair value of such financial liabilities are recognised 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 recognises 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(4) Subsequent measurement of financial instruments (*continued*)

(d) Financial liabilities at fair value through profit or loss (*continued*)

When the liabilities designated as at fair value through profit or loss is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to retained earnings.

(5) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(5) Impairment of financial instruments (*continued*)

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 recognise 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(1).

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(1).

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(1).

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 recognised in other comprehensive income and the impairment loss is recognised 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 recognised in profit or loss. For POCI financial assets, at the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(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 derecognises the original financial asset and recognises 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 recognised 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 recognised in profit or loss as a gain or loss on derecognition.

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 recognises 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 derecognised 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 recognised to the extent of the Group's continuing involvement in the asset, whereby the related liabilities is recognised 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 recognised in other comprehensive income and accumulated in equity is recognised in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(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 recognised in profit or loss.

(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 recognised 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 recognised in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(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 recognised in the consolidated statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(12) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(13) Offsetting financial assets and financial liabilities

When the Group has a legal right to set off the recognised 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 repurchase agreement, financial assets sold under resale agreements and securities lending

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognised. 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 derecognised 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 recognised in the consolidated statement of financial position (Note 6.3 Contingent Liabilities and Commitments – Collateral).

The difference between the purchase and sale price is recognised as interest expense or income over the term of the agreements using the effective interest method.

Securities lending transactions are generally secured, with collateral taking the form of securities or cash. Securities lent to counterparties by the Group are recorded in the consolidated financial statements. Securities borrowed from counterparties by the Group are not recognised in the consolidated financial statements of the Group. Cash collateral received or advanced is recognised as a liability or an asset in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

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 recognised at fair value, with changes in fair value arising from re-measurement recognised directly in the consolidated statement of profit or loss in the period in which they arise.

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 derecognised. Other subsequent expenditure is recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Depreciation is recognised as a component of operating expenses in the consolidated statement of profit or loss so as to recognise 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.12 Property and equipment (*continued*)

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%

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 derecognised 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 recognised in other operating income or operating expenses in the consolidated statement of profit or loss. 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 amortised over a straight-line basis over their authorized useful lives.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.14 Foreclosed assets

Foreclosed financial assets are initially recognised 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 recognised in the consolidated statement of profit or loss.

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.

2.15 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 recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortisation is recognised 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 recognised. A reversal of an impairment loss is recognised in the consolidated statement of profit or loss.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material 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 recognised the right-of-use assets at the commencement date, and recognised 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 an 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 recognised 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 derecognised. The finance lease receivables are recorded as long-term receivables in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material 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 amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is recognised 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 amortised, 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 recognised in the consolidated statement of profit or loss.

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 recognised in the consolidated statement of profit or loss.

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 recognised. A reversal of an impairment loss is recognised in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.20 Dividend/Interest distribution

Dividend distribution to the Bank's ordinary equity holders is recognised 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 recognised 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 recognised 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 recognised 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 recognised as assets and liabilities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material 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 recognised 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 amortisation 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 statement of profit or loss.

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 recognised 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 recognised 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 recognised 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 recognised 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 recognised, 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.25 Operating segments

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.

2.26 Preference shares and perpetual bonds

Preference shares issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Preference shares issued are non-derivative instruments that will be settled in the Group's own equity instruments, but includes no contractual obligation for the Group to deliver a variable number of its own equity instruments. The Group classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity.

Perpetual bonds issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Perpetual bonds issued include no terms and arrangements that the bonds must or will alternatively be settled in the Group's own equity instruments. The Group classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

2 Summary of material accounting policies (*continued*)

2.27 Materiality

Financial Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group assesses whether the financial information is material depending on the nature and magnitude, or both, considering entity-specific situation. When considering the nature of the information, the Group considers whether the nature of such information is related to normal operating activity, whether it has significant impact on the Group's financial position, operating results, and cash flows. When considering the magnitude of the information, the Group considers the proportion of such information of total assets, total liabilities, total equity, total operating income, total operating expenses, profit after tax, total other comprehensive income, and respective financial statement line items.

3 Critical accounting estimates and judgments

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 recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

3 Critical accounting estimates and judgments *(continued)*

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.

3.2 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

3 Critical accounting estimates and judgments (*continued*)

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 judgment 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 judgment 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.

3.6 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 judgment 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

3 Critical accounting estimates and judgments (*continued*)

3.6 Derecognition of financial assets (*continued*)

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 derecognises these financial assets and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognise these financial assets to the extent of its continuing involvement in the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements

4.1 Net interest income

	Year ended 31 December	
	2024	2023
Interest income arising from:		
Loans and advances to customers	174,559	186,571
Including: Corporate loans and advances	91,736	94,860
Personal loans and advances	79,212	86,975
Discounted bills	3,611	4,736
Financial investments	56,891	59,155
Including: Financial assets measured at amortised cost	44,647	46,598
Financial assets at fair value through other comprehensive income	12,244	12,557
Long-term receivables	6,947	6,992
Placements with banks and other financial institutions	6,032	6,541
Balances with central bank	4,253	4,886
Financial assets held under resale agreements	1,099	1,620
Balances with banks and other financial institutions	1,305	1,361
Subtotal	251,086	267,126
Interest expense arising from:		
Deposits from customers	(88,873)	(98,301)
Deposits and placements from banks and other financial institutions	(28,353)	(36,623)
Debt securities issued	(19,452)	(16,795)
Borrowings from central bank	(7,333)	(5,195)
Borrowings from banks and other financial institutions and others	(4,643)	(4,486)
Financial assets sold under repurchase agreements	(3,425)	(2,965)
Lease liabilities	(317)	(330)
Subtotal	(152,396)	(164,695)
Net interest income	98,690	102,431
Of which:		
Interest income from impaired loans and advances to customers	1,169	1,517

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.2 Net fee and commission income

	Year ended 31 December	
	2024	2023
Fee and commission income from		
Bank card services	10,337	11,029
Agency services	4,147	5,888
Custodian and other fiduciary services	3,715	4,855
Settlement services	1,980	1,968
Credit commitments	1,027	1,085
Others	888	651
Subtotal	22,094	25,476
Fee and commission expense	(3,849)	(6,240)
Net fee and commission income	18,245	19,236

4.3 Net trading gain

	Year ended 31 December	
	2024	2023
Net gains from interest rate products	3,779	3,284
Net losses from foreign-exchange and foreign exchange products	(530)	(131)
Others	305	1,595
Total	3,554	4,748

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.4 Net gain from investment securities

	Year ended 31 December	
	2024	2023
Financial assets at fair value through profit or loss	4,224	4,452
Financial assets at fair value through other comprehensive income	2,995	1,942
Financial assets measured at amortised cost	1,867	1,795
Others	933	340
Total	10,019	8,529

4.5 Net other operating income

	Year ended 31 December	
	2024	2023
Operating leases income	4,080	4,043
Government subsidies	458	718
Operating leases costs	(2,719)	(2,593)
Others	796	279
Total	2,615	2,447

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.6 Operating expenses

	Year ended 31 December	
	2024	2023
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	28,250	29,372
– Post-employment benefits-defined contribution plan	3,065	2,804
Depreciation and amortisation	6,844	6,346
Short-term lease expenses, low-value lease expenses and property management expenses	976	1,035
Tax and surcharges		
– Urban Maintenance Construction Tax	793	846
– Educational fee surcharge	352	382
– Other	635	745
Office expenses, business expenses and others	12,183	11,277
Total	53,098	52,807

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.7 Credit impairment losses

	Year ended 31 December	
	2024	2023
Loans and advances to customers	39,006	39,816
Financial assets measured at amortised cost	4,465	3,843
Financial assets at fair value through other comprehensive income	374	420
Long-term receivables	1,098	1,184
Others	531	444
Total	45,474	45,707

4.8 Other impairment losses

	Year ended 31 December	
	2024	2023
Foreclosed assets	391	1,090
Others	75	429
Total	466	1,519

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.9 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 2024 (in thousands of RMB)

	Year ended 31 December 2024			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin ⁽ⁱ⁾	3,234	112	—	3,346
Liu Yonghao	995	—	—	995
Wang Xiaoyong ^{(i)(iii)(v)}	1,787	44	—	1,831
Shi Yuzhu	875	—	—	875
Song Chunfeng ⁽ⁱⁱⁱ⁾	—	—	—	—
Zhao Peng ^(iv)	590	—	—	590
Liang Xinjie ^(v)	—	—	—	—
Qu Xinjiu	885	—	—	885
Win Qiujun	990	—	—	990
Song Huanzheng	985	—	—	985
Yang Zhiwei	975	—	—	975
Cheng Fengchao ^(v)	775	—	—	775
Liu Hanxing ^(v)	743	—	—	743
Zhang Juntong ^(v)	2,750	112	—	2,862
Weng Zhenjie ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	928	—	—	928
Wu Di	865	—	—	865
Lu Zhongnan	825	—	—	825
Li Yu	815	—	—	815
Long Ping ^(v)	1,499	63	—	1,562
Mao Bin	148	5	—	153
Gong Zhijian ^(v)	2,057	112	—	2,169
Zhang Hongwei ^{(i)(v)}	675	—	—	675
Lu Zhiqiang	475	—	—	475

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.9 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*)

	Year ended 31 December 2024			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Zheng Wanchun ^(v)	810	22	—	832
Yang Xiaoling	390	—	—	390
Xie Zhichun ^(v)	285	—	—	285
Peng Xuefeng ^(v)	165	—	—	165
Yuan Guijun ^(v)	691	22	—	713
Yang Yu	1,971	74	—	2,045
Wang Yugui ^(v)	185	—	—	185
Zhao Fugao	—	—	—	—
Zhang Liqing	400	—	—	400

- (i) The Bank defers part of the performance remuneration of the Executive Directors, the Chairman 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 the Vice-Chairman who serve on a full-time basis are pending approval by 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 2024 financial statements.
- (iii) During the Reporting Period, Mr. Song Chunfeng has not received remuneration as a Director, and Mr. Zhao Fugao has not received remuneration as a Supervisor.
- (iv) Since September 2024, Mr. Zhao Peng has ceased to receive remuneration as a Director, and Mr. Zhang Hongwei has not received remuneration as a Director.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.9 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*)

(v) On 9 June 2023, Mr. Cheng Fengchao was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in February 2024. Mr. Peng Xuefeng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Liu Hanxing was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in March 2024. Mr. Xie Zhichun ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 12 March 2024, Mr. Zheng Wanchun resigned from the positions of Vice Chairman, Executive Director, President of the Bank, as well as a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board due to retirement upon reaching the prescribed age.

On 12 March 2024, Mr. Yuan Guijun resigned from the positions of Executive Director, Executive Vice President of the Bank, as well as a member of the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board due to retirement upon reaching the prescribed age.

On 12 March 2024, Mr. Zhang Juntong resigned from the positions of Chairman of the Board of Supervisors, Employee Supervisor of the Bank, as well as a member of the special committees of the Board of Supervisors due to work adjustment.

On 12 March 2024, Mr. Wang Yugui resigned from the positions of External Supervisor of the Bank and a member of the special committees of the Board of Supervisors due to the expiration of his term of office for a cumulative period of six years.

On 27 May 2024, Mr. Gong Zhijian ceased to serve as an Employee Supervisor and a member of the special committees of the Board of Supervisors due to his appointment as Business Director of the Bank.

On 7 June 2024, Mr. Long Ping was elected as an Employee Supervisor of the Eighth Board of Supervisors of the Bank. On 12 June 2024, Mr. Long Ping was elected as a member of the Supervisory Committee of the Board of Supervisors.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.9 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)*

(v) *(continued)*

On 26 June 2024, the Bank's 2023 Annual General Meeting elected the Ninth Board of Directors, which consists of 16 Directors, including seven Non-Executive Directors: Mr. Zhang Hongwei, Mr. Liu Yonghao, Mr. Shi Yuzhu, Mr. Song Chunfeng, Mr. Zhao Peng, Mr. Liang Xinjie, and Mr. Lin Li; six Independent Directors: Mr. Qu Xinjiu, Ms. Wen Qiuju, Mr. Song Huanzheng, Mr. Yang Zhiwei, Mr. Cheng Fengchao, and Mr. Liu Hanxing; and three Executive Directors: Mr. Gao Yingxin, Mr. Wang Xiaoyong, and Mr. Zhang Juntong. Mr. Lu Zhiqiang, Mr. Wu Di, and Mr. Yang Xiaoling ceased to serve as Directors of the Bank. In August 2024, the qualification of Mr. Wang Xiaoyong and Mr. Zhang Juntong as Directors was approved by the NFRA.

On 26 June 2024, Mr. Gao Yingxin was elected as Chairman of the Board, and Mr. Zhang Hongwei, Mr. Liu Yonghao, and Mr. Wang Xiaoyong were elected as Vice Chairmen of the Board. In August 2024, the qualification of Mr. Wang Xiaoyong as Vice Chairman was approved by the NFRA.

On 26 June 2024, Mr. Yang Yu was elected as Vice Chairman of the Supervisory Board and Convener of the Supervisory Board, and Mr. Weng Zhenjie was elected as Vice Chairman of the Supervisory Board.

On 11 October 2024, Mr. Yang Yu resigned from the positions of Vice Chairman of the Ninth Supervisory Board, Employee Supervisor of the Bank, and member of the Supervisory Committee and Nomination and Evaluation Committee of the Board of Supervisors due to retirement upon reaching the prescribed age.

On January 2025, the qualification of Mr. Liang Xinjie as a Director was approved by the NFRA.

On 15 March 2025, Mr. Zhang Hongwei resigned from the positions of Vice Chairman, Non-Executive Director of the Bank, as well as a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board due to personal health reasons.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (continued)

4.9 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 2023 (in thousands of RMB)

	Year ended 31 December 2023			Total
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	
Gao Yingxin ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	3,619	116	2,142	5,877
Zhang Hongwei	935	—	—	935
Lu Zhiqiang	933	—	—	933
Liu Yonghao	935	—	—	935
Zheng Wanchun ^(iv)	3,210	116	1,970	5,296
Shi Yuzhu	815	—	—	815
Wu Di	155	—	—	155
Song Chunfeng ⁽ⁱⁱⁱ⁾	—	—	—	—
Weng Zhenjie	885	—	—	885
Yang Xiaoling	735	—	—	735
Zhao Peng	855	—	—	855
Xie Zhichun ^(iv)	960	—	—	960
Peng Xuefeng ^(iv)	915	—	—	915
Qu Xinjiu	925	—	—	925
Wen Qiuju ^(iv)	355	—	—	355
Song Huanzheng ^(iv)	245	—	—	245
Yeung Chi Wai ^(iv)	143	—	—	143
Yuan Guijun ^(iv)	2,956	116	1,586	4,658
Zhang Juntong ^(iv)	2,954	116	1,370	4,440
Yang Yu ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	2,359	116	1,066	3,541
Lu Zhongnan	790	—	—	790
Li Yu	795	—	—	795
Wang Yugui ^(iv)	785	—	—	785

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (continued)

4.9 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)

	Year ended 31 December 2023			Total
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	
Zhao Fugao ⁽ⁱⁱⁱ⁾	–	–	–	–
Zhang Liqing	735	–	–	735
Gong Zhijian	1,977	116	959	3,052
Liu Jipeng ^(iv)	810	–	–	810
Li Hancheng ^(iv)	818	–	–	818
Liu Ningyu ^(iv)	770	–	–	770

- (i) The Bank defers part of the performance remuneration of the Executive Directors, the Chairman 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 2023. The relevant compensation amounts have been restated.
- (iii) During the Reporting Period, Mr. Song Chunfeng has not received remuneration as a Director, and Mr. Zhao Fugao has not received remuneration as a Supervisor.
- (iv) On 9 June 2023, Ms. Wen Qiuju was elected as an Independent Non-Executive Director of the Bank, and her qualification was approved by the NFRA in August 2023. Mr. Liu Ningyu ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Song Huanzheng was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in August 2023. Mr. Li Hancheng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.9 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*)

(iv) (*continued*)

On 9 June 2023, Mr. Yang Zhiwei was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in October 2023. Mr. Liu Jipeng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Cheng Fengchao was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in February 2024. Mr. Peng Xuefeng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Liu Hanxing was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in March 2024. Mr. Xie Zhichun ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 12 March 2024, Mr. Zheng Wanchun resigned from the positions of Vice Chairman, Executive Director, and President of the Bank, as well as a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board due to retirement upon reaching the prescribed age.

On 12 March 2024, Mr. Yuan Guijun resigned from the positions of Executive Director, Executive Vice President of the Bank, as well as a member of the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board due to retirement upon reaching the prescribed age.

On 12 March 2024, Mr. Zhang Juntong resigned from the positions of Chairman of the Supervisory Board, Employee Supervisor of the Bank, as well as a member of the special committees of the Supervisory Board due to work adjustment.

On 12 March 2024, Mr. Wang Yugui resigned from the positions of External Supervisor of the Bank and a member of the special committees of the Supervisory Board due to the expiration of his term of office for a cumulative period of six years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.9 Directors and supervisors' emoluments *(continued)*

- (2) None of the five individuals with the highest emoluments for the year ended 31 December 2024 were directors or supervisors of the Bank (2023: 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	
	2024	2023
Basic salaries, allowances and benefits	18,138	12,831
Contributions to pension schemes	209	349
Discretionary bonus	12,568	20,590
Total	30,915	33,770

The number of the five highest paid individuals whose emoluments fell within the following bands is set out below:

	Year ended 31 December	
	2024	2023
From RMB5,000,001 to RMB7,000,000	4	3
From RMB7,000,001 to RMB9,000,000	1	2

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (continued)

4.10 Income tax expense

	Year ended 31 December	
	2024	2023
Current income tax for the year	6,471	956
Deferred income tax (Note 4.22)	(5,108)	416
Total	1,363	1,372

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

	Year ended 31 December	
	2024	2023
Profit before income tax	34,085	37,358
Income tax at the tax rate of 25%	8,521	9,340
Effect of non-taxable income (a)	(9,460)	(10,095)
Effect of non-deductible expenses (b)	2,869	2,601
Effect of interest expense on perpetual debt	(860)	(860)
Settlement variance and others	293	386
Income tax expense	1,363	1,372

(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 FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.10 Income tax expense *(continued)*

OECD Pillar Two model rules

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

Pillar II regulations of some jurisdictions of the Group members have come into force on January 1, 2024. The Group has made an assessment for relevant jurisdictions, and as of December 31, 2024, the Group is not involved in supplementary tax. At the same time, the Group adopted the revision of IAS 12 – Income tax issued in May 2023 to exempt the recognition and disclosure of deferred income tax assets and liabilities related to Pillar II income tax. The Group will continue to pay attention to the development of laws and regulations in relevant jurisdictions and assess their potential impact.

4.11 Earnings per share

	Year ended 31 December	
	2024	2023
Profit for the year attributable to equity holders of the Bank	32,296	35,823
Less: profit for the year attributable to other equity instrument holders of the Bank	(4,316)	(4,316)
Net profit attributable to ordinary equity holders of the Bank	27,980	31,507
Weighted average number of ordinary shares in issue (in millions)	43,782	43,782
Basic/diluted earnings per share (in RMB Yuan)	0.64	0.72

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.12 Cash and balances with central bank

	31 December 2024	31 December 2023
Cash	5,260	7,002
Balances with central bank		
Mandatory reserve deposits	241,643	291,972
Surplus reserve deposits	37,561	90,705
Fiscal deposits and others	864	556
Subtotal	280,068	383,233
Interest accrued	121	132
Total	285,449	390,367

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 2024 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 6.0% (31 December 2023: 7.0%) and the reserve rate for foreign currency deposits is 4.0% (31 December 2023: 4.0%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.13 Balances with banks and other financial institutions

	31 December 2024	31 December 2023
China mainland		
– Banks	82,973	103,176
– Other financial institutions	7,624	5,136
Subtotal	90,597	108,312
Overseas		
– Banks	25,766	19,795
– Other financial institutions	1,260	1,452
Subtotal	27,026	21,247
Interest accrued	110	123
Less: allowance for impairment losses	(2)	(4)
Total	117,731	129,678

For the years ended 31 December 2024 and 2023, there was no transfer of the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.14 Placements with banks and other financial institutions

	31 December 2024	31 December 2023
China mainland		
– Banks	5,534	8,302
– Other financial institutions	122,702	142,298
Subtotal	128,236	150,600
Overseas		
– Banks	55,732	19,429
– Other financial institutions	3,506	3,866
Subtotal	59,238	23,295
Interest accrued	467	396
Less: allowance for impairment losses	(1,485)	(1,513)
Total	186,456	172,778

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.14 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 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(537)	–	(976)	(1,513)
Net reversal/(charge)	250	–	(217)	33
Others	(5)	–	–	(5)
Balance as at 31 December 2024	(292)	–	(1,193)	(1,485)

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

4.15 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (*continued*)4.15 Derivatives (*continued*)

- (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 2024		
	Notional amount	Fair value Assets	Liabilities
Foreign exchange derivatives	3,259,181	26,568	(25,530)
Interest rate derivatives	2,417,938	1,844	(687)
Precious metal derivatives	74,984	1,839	(7,856)
Others	1,941	32	–
Total		30,283	(34,073)

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.15 Derivatives *(continued)*

(2) Hedges

		31 December 2024		
		Notional amount	Fair value Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	17,517	24	(235)
Fair value hedges				
– Interest rate swap contracts	(b)	59,147	379	(127)
Total			403	(362)

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

- (a) The Group uses foreign exchange swaps to hedge against cash flow fluctuations arising from its exposures to foreign exchange risks. The hedged items include foreign bond investments of the Group, loans and advances denominated in foreign currencies, and foreign currency lending to other banks and financial institutions. For the years ended 31 December 2024 and 2023, the accumulative profits or losses recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments were insignificant.
- (b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the years ended 31 December 2024 and 2023, the fair value changes of hedging instruments and the net gains or losses arising from the hedged risk relating to the hedged items, which were the ineffective part of fair value hedging recognised in fair value changes, were insignificant.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.16 Financial assets held under resale agreements

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

	31 December 2024	31 December 2023
Bonds	76,538	35,325
Others	435	435
Subtotal	76,973	35,760
Interest accrued	32	39
Less: allowance for impairment losses	(47)	(26)
Total	76,958	35,773

For the years ended 31 December 2024 and 2023, there were no transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.17 Loans and advances to customers

	31 December 2024	31 December 2023
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	2,447,412	2,337,357
Personal loans and advances		
– Micro lending (1)	643,014	651,788
– Residential mortgage	559,218	546,300
– Credit cards	477,247	487,973
– Others	91,080	81,461
Gross balance	1,770,559	1,767,522
Less: allowance for impairment losses	(92,404)	(96,793)
Subtotal	4,125,567	4,008,086
Measured at fair value through other comprehensive income:		
Corporate loans and advances		
– Corporate loans	13,500	2,419
– Discounted bills	219,009	277,579
Subtotal	232,509	279,998
Interest accrued	37,960	35,824
Total	4,396,036	4,323,908

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.17 Loans and advances to customers

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

	31 December 2024		31 December 2023	
	Amount	(%)	Amount	(%)
Unsecured loans	1,351,269	30.36	1,249,400	28.50
Guaranteed loans	838,572	18.84	774,541	17.66
Loans secured by				
– Tangible assets other than monetary assets	1,759,337	39.53	1,757,179	40.07
– Monetary assets	501,302	11.27	603,757	13.77
Total	4,450,480	100.00	4,384,877	100.00

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

	31 December 2024				Total
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
Unsecured loans	11,596	10,840	6,652	1,971	31,059
Guaranteed loans	3,230	4,922	5,109	1,043	14,304
Loans secured by					
– Tangible assets other than monetary assets	10,021	12,815	17,478	2,156	42,470
– Monetary assets	2,719	1,214	689	504	5,126
Total	27,566	29,791	29,928	5,674	92,959
% of total loans and advances to customers	0.62	0.67	0.67	0.13	2.09

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.17 Loans and advances to customers (*continued*)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.17 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 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(26,033)	(25,422)	(45,338)	(96,793)
Transfer:				
to stage 1	(2,620)	2,334	286	–
to stage 2	639	(829)	190	–
to stage 3	343	4,071	(4,414)	–
Net charge	1,308	(3,177)	(37,109)	(38,978)
Write-offs and transfer out	–	–	51,183	51,183
Recoveries of amounts previously written off	–	–	(8,844)	(8,844)
Others	(6)	(2)	1,036	1,028
Balance as at 31 December 2024	(26,369)	(23,025)	(43,010)	(92,404)

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(23,379)	(33,602)	(40,658)	(97,639)
Transfer:				
to stage 1	(3,066)	2,597	469	–
to stage 2	554	(721)	167	–
to stage 3	429	8,901	(9,330)	–
Net charge	(556)	(2,574)	(36,619)	(39,749)
Write-offs and transfer out	–	–	48,161	48,161
Recoveries of amounts previously written off	–	–	(9,343)	(9,343)
Others	(15)	(23)	1,815	1,777
Balance as at 31 December 2023	(26,033)	(25,422)	(45,338)	(96,793)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.17 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 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(199)	(2)	(450)	(651)
Net (charge)/reversal	(75)	1	46	(28)
Recoveries of amounts previously written off	–	–	(46)	(46)
Balance as at 31 December 2024	(274)	(1)	(450)	(725)

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.18 Financial investments

		31 December 2024	31 December 2023
Financial assets at fair value through profit or loss	(1)	377,457	320,547
Financial assets measured at amortised cost	(2)	1,480,798	1,531,024
Financial assets at fair value through other comprehensive income	(3)	540,447	420,571
Total		2,398,702	2,272,142

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

		31 December 2024	31 December 2023
Held for trading purpose			
Debt securities			
Government		14,782	7,999
Policy banks		51,789	35,215
Banks and non-bank financial institutions		49,428	37,429
Corporates		32,841	50,859
Subtotal		148,840	131,502
Equity investments		1,655	1,931
Investment funds	(a)	2,314	–
Subtotal		152,809	133,433

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.18 Financial investments (*continued*)

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

	31 December 2024	31 December 2023
Other financial assets at fair value through profit or loss		
Debt securities		
Corporates	10,678	3,207
Banks and non-bank financial institutions	16,693	11,382
Equity investments	15,581	17,706
Investment funds (a)	159,584	131,557
Trust and asset management plans (b)	18,254	17,185
Others	3,858	6,077
Subtotal	224,648	187,114
Total	377,457	320,547
Listed	175,678	142,246
– Of which: listed in Hong Kong	5,642	3,910
Unlisted	201,779	178,301
Total	377,457	320,547

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

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

(b) As at 31 December 2024 and 31 December 2023, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (7)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (*continued*)4.18 Financial investments (*continued*)

(2) Financial assets measured at amortised cost

	31 December 2024	31 December 2023
Debt securities		
Government	1,155,464	1,123,735
Policy banks	73,798	102,354
Banking and non-banking financial institutions	65,452	56,251
Corporates	134,681	190,416
Subtotal	1,429,395	1,472,756
Trust and asset management plans (a)	32,210	34,670
Debt financing plans	8,525	9,935
Others	2,973	4,034
Interest accrued	19,143	19,839
Less: allowance for impairment losses	(11,448)	(10,210)
Total	1,480,798	1,531,024
Listed	1,411,178	1,460,835
– Of which: listed in Hong Kong	8,632	10,602
Unlisted	61,925	60,560
Interest accrued	19,143	19,839
Less: allowance for impairment losses (b)	(11,448)	(10,210)
Total	1,480,798	1,531,024

(a) As at 31 December 2024 and 31 December 2023, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2(7)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.18 Financial investments *(continued)*

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

(b) Movements in allowance for impairment losses

	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(2,016)	(340)	(7,854)	(10,210)
Transfer				
to stage 2	53	(330)	277	–
to stage 3	10	557	(567)	–
Net reversal/(charge)	514	(288)	(4,691)	(4,465)
Write-offs and transfer out	–	–	2,665	2,665
Recoveries of amounts previously written off	–	–	(201)	(201)
Others	(28)	–	791	763
Balance as at 31 December 2024	(1,467)	(401)	(9,580)	(11,448)

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(1,500)	(925)	(8,867)	(11,292)
Transfer				
to stage 3	15	485	(500)	–
Net (charge)/reversal	(569)	100	(3,374)	(3,843)
Write-offs and transfer out	–	–	3,981	3,981
Recoveries of amounts previously written off	–	–	(104)	(104)
Others	38	–	1,010	1,048
Balance as at 31 December 2023	(2,016)	(340)	(7,854)	(10,210)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (*continued*)4.18 Financial investments (*continued*)

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

	31 December 2024	31 December 2023
Debt securities		
Government	191,141	138,080
Policy banks	33,808	5,757
Banks and non-bank financial institutions	173,067	141,893
Corporates	129,421	121,943
Subtotal	527,437	407,673
Equity investments	7,512	8,471
Interest accrued	5,498	4,427
Total	540,447	420,571
Listed	515,730	389,848
– Of which: listed in Hong Kong	23,713	28,183
Unlisted	19,219	26,296
Interest accrued	5,498	4,427
Total	540,447	420,571

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the year ended 31 December 2024, dividend income of RMB47 million (for the year ended 31 December 2023: RMB47 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 RMB5 million for the year ended 31 December 2024 (for the year ended 31 December 2023: RMB92 million).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.18 Financial investments *(continued)*

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

A. Fair value

	31 December 2024	31 December 2023
Debt securities		
Cost	530,931	414,890
Cumulative amount of change in fair value that is accrued to other comprehensive income	2,004	(2,790)
Fair value	532,935	412,100
Equity investment		
Cost	3,232	5,407
Cumulative amount of change in fair value that is accrued to other comprehensive income	4,280	3,064
Fair value	7,512	8,471
Total	540,447	420,571

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.18 Financial investments (*continued*)

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

B. Movements in allowance for impairment losses

	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(777)	(66)	(1,333)	(2,176)
Transfer:				
to stage 2	3	(3)	–	–
to stage 3	–	56	(56)	–
Net (charge)/reversal	(219)	2	(157)	(374)
Write-offs and transfer out	–	–	–	–
Others	101	–	–	101
Balance as at 31 December 2024	(892)	(11)	(1,546)	(2,449)

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(749)	(14)	(1,058)	(1,821)
Transfer:				
to stage 2	2	(2)	–	–
Net reversal/(charge)	24	(50)	(394)	(420)
Write-offs and transfer out	–	–	119	119
Others	(54)	–	–	(54)
Balance as at 31 December 2023	(777)	(66)	(1,333)	(2,176)

As at 31 December 2024, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB1,214 million (31 December 2023: RMB885 million), with allowance for impairment losses of RMB1,546 million (31 December 2023: RMB1,333 million).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.19 Long-term receivables

	31 December 2024	31 December 2023
Finance lease receivables	24,852	27,634
Sales and leaseback receivables	104,619	110,698
Less: unearned finance lease income	(14,227)	(16,119)
Present value of minimum finance lease receivables	115,244	122,213
Less: allowance for impairment losses	(2,862)	(2,779)
Total	112,382	119,434

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

	31 December 2024	31 December 2023
Indefinite (a)	8,462	8,280
Less than 1 year	55,186	57,444
1 year to 2 years	33,758	37,680
2 years to 3 years	16,662	18,107
3 years to 5 years	7,922	9,604
More than 5 years	7,481	7,217
Total	129,471	138,332

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.19 Long-term receivables (*continued*)

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

	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(707)	(436)	(1,636)	(2,779)
Transfer:				
to stage 1	(2)	1	1	–
to stage 2	193	(196)	3	–
to stage 3	315	250	(565)	–
Net (charge)/reversal	(477)	(31)	(590)	(1,098)
Write-offs and transfer out	–	–	1,186	1,186
Recoveries of amounts previously written off	–	–	(169)	(169)
Others	3	(1)	(4)	(2)
Balance as at 31 December 2024	(675)	(413)	(1,774)	(2,862)

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(642)	(862)	(1,977)	(3,481)
Transfer:				
to stage 1	(19)	9	10	–
to stage 2	5	(7)	2	–
to stage 3	3	352	(355)	–
Net (charge)/reversal	(13)	72	(1,243)	(1,184)
Write-offs and transfer out	–	–	2,039	2,039
Recoveries of amounts previously written off	–	–	(112)	(112)
Others	(41)	–	–	(41)
Balance as at 31 December 2023	(707)	(436)	(1,636)	(2,779)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.20 Property and equipment

	31 December 2024	31 December 2023
Property and equipment	59,345	60,484
Property and equipment to be disposed	2	6
Total	59,347	60,490

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.20 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 2024	23,345	3,921	10,172	470	44,602	7,885	90,395
Increase	232	569	1,116	7	4,047	1,029	7,000
CIP transfers	1,630	-	-	-	-	(1,728)	(98)
Decrease and other movement	(173)	(495)	(608)	(32)	(5,403)	-	(6,711)
Balance as at 31 December 2024	25,034	3,995	10,680	445	43,246	7,186	90,586
Accumulated depreciation							
Balance as at 1 January 2024	(7,195)	(2,629)	(7,316)	(382)	(11,453)	-	(28,975)
Increase	(792)	(570)	(931)	(23)	(1,866)	-	(4,182)
Decrease and other movement	64	468	561	29	1,732	-	2,854
Balance as at 31 December 2024	(7,923)	(2,731)	(7,686)	(376)	(11,587)	-	(30,303)
Impairment losses							
Balance as at 1 January 2024	-	-	-	-	(523)	(413)	(936)
Increase	-	-	(1)	-	(18)	-	(19)
Decrease and other movement	-	-	-	-	23	(6)	17
Balance as at 31 December 2024	-	-	(1)	-	(518)	(419)	(938)
Carrying amount							
Balance as at 1 January 2024	16,150	1,292	2,856	88	32,626	7,472	60,484
Balance as at 31 December 2024	17,111	1,264	2,993	69	31,141	6,767	59,345

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.20 Property and equipment (*continued*)

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.20 Property and equipment (*continued*)

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

As at 31 December 2024, there were still certain properties and buildings, with a carrying value of RMB306 million (31 December 2023: RMB341 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

4.21 Lease contract

(1) Right-of-use assets

	Buildings	Transportation facilities	Office equipment and others	Land use rights	Total
Original cost					
Balance as at 1 January 2024	19,158	–	95	4,646	23,899
Increase	2,938	3	7	70	3,018
Decrease	(3,098)	–	(12)	(28)	(3,138)
Balance as at 31 December 2024	18,998	3	90	4,688	23,779
Accumulated depreciation/ amortisation					
Balance as at 1 January 2024	(9,081)	–	(28)	(1,511)	(10,620)
Increase	(2,933)	(1)	(13)	(110)	(3,057)
Decrease	2,539	–	9	–	2,548
Balance as at 31 December 2024	(9,475)	(1)	(32)	(1,621)	(11,129)
Carrying amount					
Balance as at 1 January 2024	10,077	–	67	3,135	13,279
Balance as at 31 December 2024	9,523	2	58	3,067	12,650

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.21 Lease contract *(continued)*

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.21 Lease contract (*continued*)

(2) Lease liabilities

	31 December 2024	31 December 2023
Lease liabilities	9,078	9,560

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

4.22 Deferred income tax assets and liabilities

(1) Deferred income tax items

	31 December 2024	31 December 2023
Deferred income tax assets	58,149	54,592
Deferred income tax liabilities	(243)	(214)
Total	57,906	54,378

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (*continued*)4.22 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 2024		31 December 2023	
	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred income tax assets/(liabilities)	Deductible/(taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	57,461	229,864	50,886	203,545
Employee benefits payable	3,380	13,518	3,488	13,952
Fair value losses of derivatives	8,424	33,697	7,244	28,975
Fair value losses of financial assets at fair value through other comprehensive loss	44	178	272	1,088
Financial assets at fair value through profit or loss	2,566	10,263	2,062	8,247
Lease liabilities	2,259	9,084	2,387	9,568
Others	330	1,324	1,069	4,284
Subtotal	74,464	297,928	67,408	269,659
Deferred income tax liabilities				
Fair value gains of derivatives	(7,448)	(29,794)	(5,895)	(23,578)
Fair value gain of financial assets at fair value through other comprehensive income	(2,272)	(9,094)	(920)	(3,681)
Financial assets at fair value through profit or income	(4,246)	(17,054)	(3,508)	(14,112)
Right-of-use assets	(2,385)	(9,589)	(2,533)	(10,152)
Others	(207)	(776)	(174)	(640)
Subtotal	(16,558)	(66,307)	(13,030)	(52,163)
Deferred income tax assets, net	57,906	231,621	54,378	217,496

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

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

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

	Asset impairment allowance	Fair value losses	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
Balance as at 1 January 2024	50,886	9,578	6,944	67,408	(13,030)
Recognised in profit or loss	6,575	1,684	(975)	7,284	(2,176)
Recognised in other comprehensive income	–	(228)	–	(228)	(1,352)
Balance as at 31 December 2024	57,461	11,034	5,969	74,464	(16,558)
Balance as at 1 January 2023	51,775	11,069	6,220	69,064	(13,599)
Recognised in profit or loss	(889)	(961)	724	(1,126)	710
Recognised in other comprehensive income	–	(530)	–	(530)	(141)
Balance as at 31 December 2023	50,886	9,578	6,944	67,408	(13,030)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (continued)

4.23 Investment in subsidiaries

(1) Directly held subsidiaries

	31 December 2024	31 December 2023
Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing")	3,302	3,302
CMBC International Holdings Limited ("CMBC International")	3,494	3,494
Minsheng Royal Fund Limited ("Minsheng Royal Fund")	190	190
CMBC Wealth Management Co., Ltd. ("CMBC Wealth Management")	5,000	5,000
Pengzhou 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")	184	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
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	52	52
Taicang Rural Bank Co., Ltd. ("Taicang Rural Bank")	76	76

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (continued)

4.23 Investment in subsidiaries (continued)

(1) Directly held subsidiaries (continued)

	31 December 2024	31 December 2023
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")	45	45
Total	13,428	13,413

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.23 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 61.57 million	48.73%	51.27%
Tongnan Rural Bank	(a)	Chongqing China	Commercial bank	RMB 50 million	50.00%	50.00%
Meihekou Rural Bank	(c)	Jilin China	Commercial bank	RMB 193 million	98.30%	98.30%
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%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.23 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
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%
Ningguo Rural Bank	Anhui China	Commercial bank	RMB 41.6 million	51.00%	51.00%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.23 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
Yuyang Rural Bank	(d)	Shaanxi China	Commercial bank	RMB 64 million	51.00%	51.00%
Guichi Rural Bank		Anhui China	Commercial bank	RMB 53 million	51.00%	51.00%
Tiantai Rural Bank		Zhejiang China	Commercial bank	RMB 60 million	51.00%	51.00%
Tianchang Rural Bank	(e)	Anhui China	Commercial bank	RMB 44.77 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		Tibet China	Commercial bank	RMB 56.6 million	86.11%	86.11%

- (a) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are regarded as the Bank's subsidiaries and have been consolidated in these financial statements.
- (b) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.
- (c) The Bank has completed the acquisition of a total of 15.50 million shares of Meihekou Rural Bank held by five other minority shareholders. As at December 31, 2024, the Bank's ownership of equity shares and voting rights of Meihekou Rural Bank have changed to 98.30% (December 31, 2023: 95.36%).
- (d) Yuyang Rural Bank converted RMB4.60 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 2024, the registered capital of Yuyang Rural Bank was RMB64 million as it had completed the registration of changes with industry and commerce authorities.
- (e) Tianchang Rural Bank converted RMB1.09 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 2024, the registered capital of Tianchang Rural Bank was RMB44.77 million as it had completed the registration of changes with industry and commerce authorities.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.24 Other assets

		31 December 2024	31 December 2023
Interest receivable	(1)	10,970	7,499
Prepayments for leased assets	(2)	6,491	5,472
Other debt receivables and advances		5,552	5,799
Intangible assets	(4)	4,962	2,730
Foreclosed assets	(3)	4,941	5,299
Fee and commission receivable		3,328	3,147
Investment properties		2,820	2,969
Prepayment		2,691	2,737
Items in the process of clearance and settlement		2,610	6,653
Long-term deferred expenses		1,713	1,795
Research and development engineering		1,512	2,328
Legal costs receivable		1,419	1,243
Continuously involved assets		999	1,038
Goodwill	(5)	213	208
Operating lease receivable		85	169
Assets transfer receivable		–	603
Others		4,611	4,760
Subtotal		54,917	54,449
Less: allowance for impairment losses			
– Foreclosed assets		(800)	(752)
– Others		(4,427)	(4,255)
Total		49,690	49,442

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.24 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 which would be finance leased out or operating leased out.
- (3) Foreclosed assets include buildings, land use rights and transportation facilities. The Group disposed foreclosed assets of RMB1,761 million for the year ended 31 December 2024 (For the year ended 31 December 2023: RMB2,339 million).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (*continued*)4.24 Other assets (*continued*)

(4) Intangible assets

	Year ended 31 December	
	2024	2023
Cost		
Balance as at 1 January	9,114	7,790
Increase	3,522	1,338
Decrease	(2)	(14)
Balance as at 31 December	12,634	9,114
Accumulated amortisation		
Balance as at 1 January	(6,384)	(5,489)
Increase	(1,300)	(908)
Decrease	12	13
Balance as at 31 December	(7,672)	(6,384)
Carrying amount		
Balance as at 1 January	2,730	2,301
Balance as at 31 December	4,962	2,730

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.24 Other assets (*continued*)

(5) Goodwill arising from CMBC International

	Year ended 31 December	
	2024	2023
Balance as at 1 January	208	205
Exchange difference	5	3
Balance as at 31 December	213	208

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

4.25 Allowances for impairment losses

		Year ended 31 December 2024				
		Balances as at 1 January 2024	Net charge/ (reversal) for the year	Write-offs and transfer out	Balances as at 31 December 2024	
	Note 4			Other		
Balances with banks and other financial institutions	13	4	298	–	(300)	2
Placements with banks and other financial institutions	14	1,513	(33)	–	5	1,485
Financial assets held under resale agreements	16	26	21	–	–	47
Loans and advances to customers	17	97,444	39,006	(51,183)	7,862	93,129
Financial investments	18	12,386	4,839	(2,665)	(663)	13,897
Long-term receivables	19	2,779	1,098	(1,186)	171	2,862
Property and equipment	20	936	19	–	(17)	938
Other assets	24	5,007	846	(626)	–	5,227
Total		120,095	46,094	(55,660)	7,058	117,587

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.25 Allowances for impairment losses (*continued*)

	Note 4	Year ended 31 December 2023				Balances as at 31 December 2023
		Balances as at 1 January 2023	Net (reversal)/ charge for the year	Write-offs and transfer out	Other	
Balances with banks and other financial institutions	13	8	(6)	–	2	4
Placements with banks and other financial institutions	14	1,862	223	(572)	–	1,513
Financial assets held under resale agreements	16	28	(2)	–	–	26
Loans and advances to customers	17	98,868	39,816	(48,806)	7,566	97,444
Financial investments	18	13,113	4,263	(4,100)	(890)	12,386
Long-term receivables	19	3,481	1,184	(2,039)	153	2,779
Property and equipment	20	664	383	–	(111)	936
Other assets	24	4,591	1,997	(1,583)	2	5,007
Total		122,615	47,858	(57,100)	6,722	120,095

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.26 Deposits and placements from banks and other financial institutions

	31 December 2024	31 December 2023
China mainland		
Banks	103,376	108,030
Other financial institutions	903,479	1,044,337
Overseas		
Banks	33,470	55,831
Other financial institutions	28,749	27,384
Subtotal	1,069,074	1,235,582
Interest accrued	4,632	6,477
Total	1,073,706	1,242,059

4.27 Financial liabilities at fair value through profit or loss

	31 December 2024	31 December 2023
Financial liabilities related to precious metals	9,564	2,320
Financial liabilities designated at fair value through profit or loss (1)	33,633	33,475
Others	31	32
Total	43,228	35,827

(1) For the year ended 2024, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.28 Borrowings from banks and other financial institutions

	31 December 2024	31 December 2023
Unsecured borrowings	88,472	100,224
Borrowings secured by – Tangible assets and monetary assets	22,594	14,722
Subtotal	111,066	114,946
Interest accrued	927	769
Total	111,993	115,715

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

4.29 Financial assets sold under repurchase agreements

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

	31 December 2024	31 December 2023
Bonds	175,195	132,510
Bills	72,444	58,271
Subtotal	247,639	190,781
Interest accrued	485	352
Total	248,124	191,133

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.30 Deposits from customers

	31 December 2024	31 December 2023
Demand deposits		
– Corporate customers	1,051,320	1,024,828
– Personal customers	396,934	295,892
Time deposits (including call deposits)		
– Corporate customers	1,895,490	2,044,103
– Personal customers	901,419	910,695
Certificates of deposit	1,738	4,976
Outward remittance and remittance payables	2,194	2,509
Subtotal	4,249,095	4,283,003
Interest accrued	83,586	70,278
Total	4,332,681	4,353,281

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

	31 December 2024	31 December 2023
Pledged deposits for bank acceptances	280,633	209,868
Pledged deposits for letters of credit and guarantees	44,597	24,313
Other pledged deposits	28,185	33,553
Total	353,415	267,734

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.31 Provisions

		31 December 2024	31 December 2023
Credit loss of off-balance sheet credit commitments	(1)	1,058	1,212
Litigation provision		522	459
Others		150	116
Total		1,730	1,787

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

	Year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2024	(1,065)	(146)	(1)	(1,212)
Transfer:				
to stage 1	(13)	13	—	—
to stage 2	5	(5)	—	—
to stage 3	2	2	(4)	—
Net reversal	63	87	4	154
Balance as at 31 December 2024	(1,008)	(49)	(1)	(1,058)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.31 Provisions (*continued*)

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

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

4.32 Debt securities issued

		31 December 2024	31 December 2023
Certificates of interbank deposit		803,492	474,754
Financial bonds	(1)	47,983	105,577
Tier-two capital bonds	(2)	79,994	89,992
Medium-term and short-term notes	(3)	7,143	1,996
Subtotal		938,612	672,319
Interest accrued		2,413	3,507
Total		941,025	675,826

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (*continued*)4.32 Debt securities issued (*continued*)

(1) Financial bonds

		31 December 2024	31 December 2023
2024-3-year fixed rate financial bonds	(a)	2,394	–
2023-3-year fixed rate financial bonds	(b)	19,999	19,997
2023-3-year fixed rate financial bonds	(c)	1,598	1,596
2023-3-year fixed rate financial bonds	(d)	1,597	1,595
2023-3-year fixed rate financial bonds	(e)	2,395	2,393
2022-3-year fixed rate financial bonds	(f)	20,000	19,999
2021-3-year fixed rate financial bonds	(g)	–	29,998
2021-3-year fixed rate financial bonds	(h)	–	29,999
Total		47,983	105,577

- (a) RMB3 billion worth of fixed-rate financial bonds were issued on 28 May 2024, with a term of 3 years, and a fixed coupon rate of 2.49% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB600 million.
- (b) RMB20 billion worth of fixed-rate financial bonds were issued on 18 May 2023, with a term of 3 years, and a fixed coupon rate of 2.68% per annum.
- (c) RMB2 billion worth of fixed-rate financial bonds were issued on 20 March 2023, with a term of 3 years, and a fixed coupon rate of 3.40% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB400 million.
- (d) RMB2 billion worth of fixed-rate financial bonds were issued on 25 May 2023, with a term of 3 years, and a fixed coupon rate of 3.27% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB400 million.
- (e) RMB3 billion worth of fixed-rate financial bonds were issued on 25 July 2023, with a term of 3 years, and a fixed coupon rate of 3.19% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB600 million.
- (f) RMB20 billion worth of fixed-rate financial bonds were issued on 7 April 2022, with a term of 3 years, and a fixed coupon rate of 2.95% per annum.
- (g) RMB30 billion worth of fixed-rate financial bonds were issued on 8 December 2021, with a term of 3 years, and a fixed coupon rate of 3.02% per annum. The Bank repaid all of them on 8 December 2024.
- (h) RMB30 billion worth of fixed-rate financial bonds were issued on 10 November 2021, with a term of 3 years, and a fixed coupon rate of 3.02% per annum. The Bank repaid all of them on 10 November 2024.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.32 Debt securities issued (*continued*)

(2) Tier-two capital bonds

		31 December 2024	31 December 2023
2024 1st tranche-10-year fixed rate tier-two capital bonds	(a)	29,997	–
2020-10-year fixed rate tier-two capital bonds	(b)	49,997	49,996
2019 1st tranche-10-year fixed rate tier-two capital bonds	(c)	–	39,996
Total		79,994	89,992

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (*continued*)4.32 Debt securities issued (*continued*)

(3) Medium-term and short-term notes

		31 December 2024	31 December 2023
2024-3-year medium-term notes	(a)	2,157	–
2024-2-year medium-term notes	(b)	2,987	–
2023-2-year medium-term notes	(c)	1,999	1,996
Total		7,143	1,996

- (a) Medium-term notes with a nominal value of USD300 million of medium-term notes were issued on 13 September 2024, with a term of 3 years, floating interest rate. The coupon rate is 5.18%.
- (b) Medium-term notes with a nominal value of RMB3 billion of medium-term notes were issued on 12 March 2024, with a term of 2 years. The coupon rate is 3.08%.
- (c) 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%.

4.33 Other liabilities

		31 December 2024	31 December 2023
Items in the process of clearance and settlement		60,697	15,380
Employee benefits payable	(1)	13,993	14,439
Lease payments received in advance		6,665	7,918
Other tax payable	(2)	3,633	3,774
Accrued expenses		3,353	1,693
Output value added tax to be transferred		2,778	2,740
Notes payable		2,274	2,138
Continuously involved liabilities		999	1,038
Payable for long-term assets		507	328
Deferred fee and commission income		499	317
Intermediate collection and payment		371	281
Payable to the leasing company		60	1,378
Others		1,035	3,216
Total		96,864	54,640

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.33 Other liabilities (*continued*)

(1) Employee benefits payable

	1 January 2024	Increase	Decrease	31 December 2024
Short-term employee benefits				
– Salaries, bonuses and allowances	13,794	22,689	(23,137)	13,346
– Staff welfare fees	–	1,582	(1,577)	5
– Social insurance (a) and supplementary insurance	133	1,799	(1,801)	131
– Housing fund	126	1,934	(1,933)	127
– Labour union fee, staff and workers' education fee	42	493	(501)	34
Subtotal	14,095	28,497	(28,949)	13,643
Post-employment benefits-defined contribution plans				
– Basic pension insurance plans	164	2,304	(2,296)	172
– Unemployment insurance	21	78	(77)	22
– Annuity scheme (b)	159	712	(715)	156
Subtotal	344	3,094	(3,088)	350
Total	14,439	31,591	(32,037)	13,993

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (continued)

4.33 Other liabilities (continued)

(1) Employee benefits payable (continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.33 Other liabilities (*continued*)

(2) Other tax payable

	31 December 2024	31 December 2023
Value added tax	2,588	2,706
Others	1,045	1,068
Total	3,633	3,774

4.34 Share capital and capital reserve

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

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

The Group's capital reserve of RMB58,087 million as at 31 December 2024 (RMB58,111 million at 31 December 2023), mainly represents capital premium.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.35 Preference Shares

(1) Outstanding Preference Shares at year end

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

The dividend yield for the first five years after the issuance of preferred stock is 4.38%, and the dividend yield will be reset to 3.17%. On 18 October 2024 the issuance cost of preferred shares issued by the Bank was RMB25 million on 31 December 2024. (31 December 2023: RMB25 million)

(2) Domestic Preference Shares Main Clauses

(a) Dividend

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

(b) Conditions to distribution of dividends

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.35 Preference Shares (*continued*)

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

(c) Dividend stopper

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

(d) Order of distribution and liquidation method

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

(e) Mandatory conversion trigger events

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

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

(f) Redemption

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

The Bank has the right to redeem all or part of the domestic Preferred Shares on the preferred stock dividend date of each year, starting from the date of expiration of 5 years after the issue date (i.e., 15 October 2019), and the redemption period shall expire on the date of conversion or redemption in full. In the case of partial redemption, all domestic preferred shares issued will be redeemed on the same terms and in proportion.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.35 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 ordinary shareholders.

The dividend of the Domestic Preference Shares shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(3) Changes in preference shares outstanding

	1 January 2024		Movements		31 December 2024	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Domestic Preference Shares	200	20,000	–	–	200	20,000

	1 January 2023		Movements		31 December 2023	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Domestic Preference Shares	200	20,000	–	–	200	20,000

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.36 Perpetual Bonds

(1) Outstanding Perpetual Bonds at year end

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million pieces)	In original currency	In RMB	Maturity	Conversion condition	Conversion
2021 Undated Capital Bonds (Series 1)	19/04/2021	Equity	4.30%	100 RMB/ Note	300	30,000	30,000	None	None	None
2022 Undated Capital Bonds (Series 1)	14/06/2022	Equity	4.20%	100 RMB/ Note	50	5,000	5,000	None	None	None
2024 Undated Capital Bonds (Series 1)	15/08/2024	Equity	2.35%	100 RMB/ Note	300	30,000	30,000	None	None	None
2024 Undated Capital Bonds (Series 2)	30/10/2024	Equity	2.73%	100 RMB/ Note	100	10,000	10,000	None	None	None
Total							75,000			

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.36 Perpetual Bonds (*continued*)

(2) Main Clauses

(a) Principal Amount

2021 Undated Tier 1 Capital Bonds RMB30 billion.

2022 Undated Tier 1 Capital Bonds-Series 1 RMB5 billion.

2024 Undated Tier 1 Capital Bonds-Series 1 RMB30 billion.

2024 Undated Tier 1 Capital Bonds-Series 2 RMB10 billion.

(b) Maturity Date

The Bonds will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Bonds will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Bonds will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on ChinaBond.com.cn or other websites approved by the China Central Depository & Clearing Co., Ltd. The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Bonds Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not part of the Bonds.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.36 Perpetual Bonds *(continued)*

(2) Main Clauses *(continued)*

(e) Subordination

The claims in respect of the Bonds, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Tier 1 Capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Bondholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Bonds, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Bonds do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option of investors is not applicable.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (continued)

4.37 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the former CBIRC, the preferred shares and perpetual bonds issued by the Bank have met the criteria of qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	31 December 2024	31 December 2023
Total equity attributable to equity holders of the Bank	642,859	624,602
Equity attributable to ordinary equity holders of the Bank	547,859	529,640
Equity attributable to other equity holders of the Bank	95,000	94,962
Total equity attributable to non-controlling interests	13,709	13,199
Equity attributable to non-controlling interests of ordinary shares	13,709	13,199

4.38 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, the Bank will still appropriate 10% of its net profit as statutory surplus reserve. 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 RMB3,083 million statutory surplus reserve for the year ended 31 December 2024 (for the year ended 31 December 2023: RMB3,529 million).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.38 Surplus reserve, general reserve and retained earnings *(continued)*

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations, which were included in the Group's general reserve.

The Group appropriated RMB4,042 million of profits to the general reserve for the year ended 31 December 2024 (for the year ended 31 December 2023: RMB4,743 million).

(3) Retained earnings

As at 31 December 2024, the retained earnings included the statutory surplus reserve of RMB1,790 million contributed by the subsidiaries (31 December 2023: RMB993 million). The surplus reserve of the subsidiaries included in the retained earnings cannot be distributed.

4.39 Non-controlling interests

As at 31 December 2024, the non-controlling interests in the subsidiaries were RMB13,709 million (31 December 2023: RMB13,199 million).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.40 Dividends/Interests

(1) Dividends for ordinary shares

The Board of directors proposed the profit distribution plan for 2024 in the meeting held on 28 March 2025. 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 RMB0.62 (including tax) for every 10 shares, the total cash dividends would be approximately RMB2,714 million (including tax) for 2024. Together with the total amount of interim cash dividends that had been distributed, being RMB5,692 million (including tax), the cash dividend of RMB1.30 (including tax) for every 10 shares, the total dividend of RMB8,406 million (including tax), a cash dividend of RMB1.92 (including tax) for every 10 shares was based on the total number of shares of 43,782 million as on 31 December 2024. The plan is subject to the approval of the shareholders' meeting of the Bank.

The shareholders approved the interim cash dividends distribution plan for 2024 at the Annual General Meeting on 25 October 2024. The cash dividends declared would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividend declared was RMB1.30 (including tax) for every 10 shares. A total dividend of RMB5,692 million (including tax) was based on the total number of shares of 43,782 million as on 12 November 2024.

The shareholders approved the interim cash dividends distribution plan for 2023 at the 2023 Annual General Meeting on 26 June 2024. 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 RMB2.16 (including tax) for every 10 shares. A total dividend of RMB9,457 million (including tax) was based on total number of shares of 43,782 million as at the record dates.

(2) Dividends for preference shares

According to the resolution on the distribution of domestic preferred stock dividends passed at the board meeting on 29 August 2024, based on the initial annual dividend rate of 4.38% (including tax) before the reset date of the first dividend rate determined by the terms and conditions of the domestic preferred stock, a total of RMB876 million (including tax) will be distributed, and the dividend payment date will be 18 October 2024.

According to the resolution on the distribution of domestic preferred stock dividends passed at the board meeting on 30 August 2023, based on the initial annual dividend rate of 4.38% (including tax) before the reset date of the first dividend rate determined by the terms and conditions of the domestic preferred stock, a total of RMB876 million (including tax) will be distributed, and the dividend payment date will be 18 October 2023.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.40 Dividends/Interests (*continued*)

(3) Interests for perpetual bonds

On 3 June 2024, the Bank announced the issuance of interest on its 2022 non fixed term capital bonds. The Bank has confirmed the issuance of perpetual bond interest of RMB210 million (including tax) based on the initial annual interest rate of 4.20% (including tax) before the reset date of the first interest rate determined by the perpetual bond terms and conditions.

On 6 May 2024, the Bank announced the issuance of interest on its 2019 non fixed term capital bonds. The Bank has confirmed the issuance of perpetual bond interest of RMB1,940 million (including tax) based on the initial annual interest rate of 4.85% (including tax) before the reset date of the first interest rate determined according to the perpetual bond terms and conditions

On 10 April 2024, the Bank announced the issuance of interest on its 2021 non fixed term capital bonds. The Bank has confirmed the issuance of perpetual bond interest of RMB1,290 million (including tax) based on the initial annual interest rate of 4.30% (including tax) before the reset date of the first interest rate determined by the perpetual bond terms and conditions.

On 4 June 2023, the Bank announced the issuance of interest on its 2022 non fixed term capital bonds. The Bank has confirmed the issuance of perpetual bond interest of RMB210 million (including tax) based on the initial annual interest rate of 4.20% (including tax) before the reset date of the first interest rate determined by the perpetual bond terms and conditions.

On 2 June 2023, the Bank announced the issuance of interest on 2019 non fixed term capital bonds. The Bank has confirmed the issuance of perpetual bond interest of RMB1,940 million (including tax) based on the initial annual interest rate of 4.85% (including tax) before the reset date of the first interest rate determined by the perpetual bond terms and conditions.

On 10 April 2023, the Bank announced the issuance of interest on its 2021 non fixed term capital bonds. The Bank has confirmed the issuance of perpetual bond interest of RMB1,290 million (including tax) based on the initial annual interest rate of 4.30% (including tax) before the reset date of the first interest rate determined by the perpetual bond terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

4 Notes to the consolidated financial statements (continued)

4.41 Other reserves

	Year ended 31 December	
	2024	2023
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	162	691
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	8,792	4,173
Allowance for impairment losses	519	(182)
Amount transferred to profit or loss from other comprehensive income (a)	(2,785)	(1,423)
Less: Tax effect	(1,531)	(715)
Subtotal	5,157	2,544
Effective hedging portion of gains or losses arising from cash flow hedging instruments	6	(24)
Less: Tax effect	(1)	6
Subtotal	5	(18)
Exchange difference on translating foreign operations	89	206
Total	5,251	2,732

(a) It refers to the amount transferred to profit or loss due to disposal.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.41 Other reserves (*continued*)

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Attributable to equity shareholders of the Bank			Total
	Investment revaluation reserve	Cash flow hedging reserve	Exchange reserve	
1 January 2024	1,507	(17)	532	2,022
Movement during the year	5,095	5	70	5,170
31 December 2024	6,602	(12)	602	7,192
1 January 2023	(1,079)	1	466	(612)
Movement during the year	2,586	(18)	66	2,634
31 December 2023	1,507	(17)	532	2,022

4.42 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 2024	31 December 2023
Cash (Note 4.12)	5,260	7,002
Surplus deposit reserves with central bank (Note 4.12)	37,561	90,705
Balances with banks and other financial institutions		
– demand deposits	96,370	109,925
Original maturity within 3 months:		
– Balances with banks and other financial institutions	1,814	4,347
– Placements with banks and other financial institutions	43,985	25,357
Total	184,990	237,336

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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

4.43 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognised 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 recognise 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 derecognise 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 2024, the Group transferred loans through securitisation transactions with gross balance of RMB9,589 million (for the year ended 31 December 2023: RMB10,524 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing financial assets

For the year ended 31 December 2024, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB12,268 million (for the year ended 31 December 2023: RMB28,982 million). The Group transferred substantially all the risks and rewards of these non-performing financial assets and therefore has derecognised 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 2024, the carrying amount of debt securities lent to counterparties was RMB43,975 million (31 December 2023: RMB45,483 million).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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	Provide financial products and services to individual customers, mainly including personal deposit and loan services, credit card and debit card 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 FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

5 Segment information (continued)

5.1 Business segments (continued)

	Year ended 31 December 2024			
	Corporate banking	Retail banking	Others	Total
Operating income	68,257	54,892	9,974	133,123
Net interest income	52,384	43,246	3,060	98,690
Include: inter-segment net interest income/(expense)	7,800	(8,412)	612	–
Net fee and commission income	5,303	11,473	1,469	18,245
Net other income	10,570	173	5,445	16,188
Operating expenses	(14,027)	(20,793)	(18,278)	(53,098)
Credit impairment losses	(20,921)	(22,487)	(2,066)	(45,474)
Other impairment losses	(312)	(4)	(150)	(466)
Profit before income tax	32,997	11,608	(10,520)	34,085
Depreciation and amortisation	3,432	2,757	2,521	8,710
Capital expenditure	2,605	2,093	11,274	15,972

	As at 31 December 2024			
	Corporate banking	Retail banking	Others	Total
Segment assets	5,144,314	1,745,584	866,922	7,756,820
Include: Investments in associates				–
Deferred income tax assets				58,149
Total assets				7,814,969
Segment liabilities	(4,944,030)	(1,291,332)	(922,796)	(7,158,158)
Deferred income tax liabilities				(243)
Total liabilities				(7,158,401)
Credit commitments	851,564	519,340	–	1,370,904

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

5 Segment information *(continued)*

5.1 Business segments *(continued)*

	Year ended 31 December 2023			
	Corporate banking	Retail banking	Others	Total
Operating income	72,681	57,983	6,727	137,391
Net interest income	56,095	46,455	(119)	102,431
Include: inter-segment net interest income/(expense)	20,591	(13,758)	(6,833)	–
Net fee and commission income	6,076	11,333	1,827	19,236
Net other income	10,510	195	5,019	15,724
Operating expenses	(14,032)	(21,051)	(17,724)	(52,807)
Credit impairment losses	(27,636)	(15,833)	(2,238)	(45,707)
Other impairment losses	(971)	(9)	(539)	(1,519)
Profit before income tax	30,042	21,090	(13,774)	37,358
Depreciation and amortisation	3,080	2,809	2,425	8,314
Capital expenditure	2,550	2,325	9,079	13,954
As at 31 December 2023				
	Corporate banking	Retail banking	Others	Total
Segment assets	4,879,971	1,757,678	982,724	7,620,373
Include: Investments in associates				–
Deferred income tax assets				54,592
Total assets				7,674,965
Segment liabilities	(4,876,812)	(1,190,776)	(969,362)	(7,036,950)
Deferred income tax liabilities				(214)
Total liabilities				(7,037,164)
Credit commitments	734,613	545,007	–	1,279,620

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

5 Segment information (*continued*)

5.1 Business segments (*continued*)

Since the preparation of this year's financial statements, due to the change of management caliber, has subdivided the small and micro businesses according to the small and micro business to corporate customer group and small and micro personal customer group, adjusted the small and micro business to corporate customer group business of the Bank from retail business segment to corporate business segment, and adjusted the comparative figures.

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, London Branch and subsidiaries

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

5 Segment information *(continued)*

5.2 Geographical segments *(Continued)*

	Year ended 31 December 2024		As at 31 December 2024
	Operating income	Profit before income tax	Segment assets (1)
Head Office	47,933	7,676	3,416,362
Yangtze River Delta	21,404	7,054	1,254,041
Pearl River Delta	14,407	4,442	819,463
Bohai Rim	15,922	6,217	1,420,814
Northeastern Region	2,269	266	151,842
Central Region	10,815	2,474	573,712
Western Region	10,268	1,733	688,144
Overseas and subsidiaries	10,105	4,223	437,774
Inter-segment elimination	—	—	(1,005,332)
Total	133,123	34,085	7,756,820

	Year ended 31 December 2023		As at 31 December 2023
	Operating income	Profit before income tax	Segment assets (1)
Head Office	45,538	8,610	3,369,881
Yangtze River Delta	23,333	7,521	1,260,635
Pearl River Delta	15,502	4,607	758,206
Bohai Rim	15,953	3,832	1,490,154
Northeastern Region	1,689	(2,362)	154,292
Central Region	11,650	6,240	563,519
Western Region	14,233	5,703	667,749
Overseas and subsidiaries	9,493	3,207	397,135
Inter-segment elimination	—	—	(1,041,198)
Total	137,391	37,358	7,620,373

(1) Segment assets do not include deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024	31 December 2023
Bank acceptances	518,662	476,334
Guarantees	135,217	130,996
Letters of credit	141,076	107,030
Unused credit card commitments	519,213	514,685
Irrevocable credit commitments		
– original maturity date within 1 year	40,454	33,943
– original maturity date over 1 year	16,282	16,632
Total	1,370,904	1,279,620

6.2 Capital commitments

	31 December 2024	31 December 2023
Contracted but not paid for	14,852	13,339

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

6 Contingent liabilities and commitments (*continued*)

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 2024	31 December 2023
Balances with banks and other financial institutions	11,072	5,224
Loans and advances to customers	130,692	206,223
Discounted bills	72,907	58,685
Financial investments	373,625	339,352
Long-term receivables	12,718	10,998
Property and equipment	9,627	8,701
Total	610,641	629,183

As at 31 December 2024, except for assets pledged mentioned above, the amount of RMB1,342 million of the Group's Balances with banks and other financial institutions was mainly used as special funds for a subsidiary's business (31 December 2023: RMB1,384 million).

(2) Collateral received

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 31 December 2024, the Group had no collateral that was sold or lent to counterparties, but obligated to return (31 December 2023: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

6 Contingent liabilities and commitments (*continued*)

6.4 Underwriting of securities

As at 31 December 2024, there was no unexpired underwriting commitment for the Group (31 December 2023: Nil).

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 31 December 2024 was RMB3,503 million (31 December 2023: RMB2,524 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2024 and 31 December 2023. The Group makes provisions for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 4.31).

7 Interests in structured entities

7.1 Consolidated structured entities

As at 31 December 2024, the consolidated structured entities amounted to RMB85,628 million (31 December 2023: RMB80,977 million).

7.2 Unconsolidated structured entities

(1) Invested structured entities in which the Group holds an interest

Unconsolidated invested structured entities include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

7 Interests in structured entities (Continued)

7.2 Unconsolidated structured entities (Continued)

(1) Invested structured entities in which the Group holds an interest (Continued)

The following tables set out an analysis of the line items in the consolidated statement of financial position in which assets are recognised relating to the Group's interests in invested structured entities:

	31 December 2024			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	1,713	104,169	20,523	126,405
Funds	159,584	–	–	159,584
Trust and asset management plans	18,254	27,173	–	45,427
Others	3,607	–	–	3,607
Total	183,158	131,342	20,523	335,023

	31 December 2023			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	1,756	158,140	21,860	181,756
Funds	131,557	–	–	131,557
Trust and asset management plans	17,185	30,482	–	47,667
Others	5,278	–	–	5,278
Total	155,776	188,622	21,860	366,258

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the consolidated statement of financial positions.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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.

As at 31 December 2024, the balance of wealth management products sponsored and managed but not consolidated by the Group is RMB1,015,666 million (31 December 2023: RMB867,693 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB124,668 million (31 December 2023: RMB107,869 million).

For the year ended 31 December 2024, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB2,516 million (for the year ended 31 December 2023: RMB3,141 million). As at 31 December 2024 and 31 December 2023, the carrying amounts of commission receivable being recognised are not material in the consolidated statement of financial positions.

8 Entrusted lending business

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

	31 December 2024	31 December 2023
Entrusted loans	273,637	275,968
Entrusted funds	273,637	275,968

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties

9.1 Related parties

- (1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be a natural person, corporate or unincorporated organization.

Related parties of the Group mainly include corporates or unincorporated organizations that hold or control more than 5% of the Bank's equity interests, and corporates or unincorporated organizations that hold less than 5% of the Bank's equity interests but have significant influence on the Bank, and the controlling shareholders, actual controllers, persons acting in concert, and ultimate beneficiaries of these entities as well as corporates or unincorporated organizations under the control of these entities; the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers (hereinafter referred to as "insiders of the Bank"), their close family members, and the corporates or unincorporated organizations controlled by the aforementioned persons; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; corporates or unincorporated organizations under control or significant influence of the Bank; and natural persons, corporates or unincorporated organizations identified by the Bank as being related on a substance over form basis and/or see-through basis.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties (Continued)

9.1 Related parties (Continued)

(2) The Bank's major shareholders

Company name	Registered location	31 December 2024		31 December 2023		Business (a)	Legal form	Legal representative
		No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)	No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)			
Dajia Life Insurance Inc.	Beijing	7,810,214,889	17.84	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
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
Southern Hoper Industry Co., Ltd.	Tibet	405,177,327	0.93	343,177,327	0.78	Retailing	Limited company	Li Jianxiong
New Hope Chemical Investment Co., Ltd.	Sichuan	68,000,000	0.16	N/A	N/A	Research and Experimental Development	Limited company	Shao Jun
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 Iv
Liberal Rise Limited	British Virgin Islands	84,522,480	0.19	84,522,480	0.19	Investment holding	Limited company	Shi Yuzhu
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 Inc.	Chongqing	103,658,821	0.24	103,658,821	0.24	Other financial industry	Joint stock limited company	Weng Zhenjie
China Shipowners Mutual Assurance Association	Shanghai	1,324,284,453	3.02	1,324,284,453	3.02	Marine mutual insurance and services	National social group	Song Chunfeng
Orient Group Incorporation	Heilongjiang	1,280,117,123	2.92	1,280,117,123	2.92	Agricultural and sideline food processing industry	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Beijing	15,344,100	0.04	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
Good First Group Co., Ltd	Xiamen	133,200,000	0.30	133,200,000	0.30	Wholesaling	Limited company	Wu Di
Tibet Hengxun Corporate Management Co., Ltd.	Tibet	80,500,000	0.18	80,500,000	0.18	Commercial service	Limited company	Chen Jianjun
Tibet Fujin Enterprise Management Co., Ltd.	Tibet	52,900,000	0.12	52,900,000	0.12	Commercial service	Limited company	Chen Jianjun

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 CBIRC.

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.

Southern Hoper Industry 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).

New Hope Chemical Investment Co., Ltd.: research, development, and sales of chemical products (excluding hazardous substances); project investment with provision of technical consulting and after-sales services (excluding financial, securities, and futures-related activities) (prohibited from engaging in illegal fundraising or absorbing public funds); distribution of PVC, fertilizers, packaging materials, agricultural by-products, mineral products, chemical raw materials (non-hazardous), feed-grade calcium hydrogen phosphate, mechanical equipment, steel products, construction materials, metal materials (excluding precious and rare metals), environmental protection materials and equipment, rubber products, plastic products, mechanical & electrical products, auxiliary construction materials (excluding paints), hardware and electrical appliances, light textiles, textile raw materials, household appliances, paper and paper products, prepackaged food; import and export of goods; technology import and export operations.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale non-physical means 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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.: engage in investment activities with its own funds (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management.

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the former China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Orient Group Incorporation: permitted item: food production (branch operation); grain processed food production (branch operation); bean products manufacturing (branch operation); crop seed management (branch operation); job intermediary activities. general items: grain purchase; import and export of goods; technology import and export; foreign contracted projects; estate management; sales of light building materials; sales of building materials; sales of construction machinery; furniture sales; wholesale of hardware products; sanitary ware sales; sales of metal materials; research and development of new material technology; grain sales; grain planting (branch operation); enterprise headquarters management; primary processing of edible agricultural products (branch operation).

Oriental Group Co., Ltd.: engage in investment activities with its own funds; information system integration services; domestic trade agency; import and export agency; technology import and export; realty management; coal sales; wholesale of hardware products.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 Hengxun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials.

Tibet Fuju Enterprise Management Co., Ltd. (Formerly known as Tibet Fu Ju Investment Co., Ltd.): management; business management consulting; corporate image planning; marketing planning; conference and exhibition services; Market research (excluding foreign-related research).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations: *(continued)*

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	31 December 2024	31 December 2023
Dajia Life Insurance Inc.	RMB30,790 million	RMB30,790 million
New Hope Liuhe Investment Co., Ltd.	RMB577 million	RMB577 million
Southern Hoper Industry Co., Ltd.	RMB1,034 million	RMB1,034 million
New Hope Chemical Investment Co., Ltd.	RMB2,718 million	N/A
Shanghai Giant Lifetech Co., Ltd.	RMB245 million	RMB245 million
Alpha Frontier Limited	USD17.5 thousand	USD17.5 thousand
Liberal Rise Limited	USD0.05 million	USD0.05 million
Tongfang Guoxin Investment Co., Ltd.	RMB2,574 million	RMB2,574 million
Chongqing International Trust Inc.	RMB15,000 million	RMB15,000 million
China Shipowners Mutual Assurance Association	RMB0.10 million	RMB0.10 million
Orient Group Incorporation	RMB3,659 million	RMB3,659 million
Oriental Group Co., Ltd.	RMB1,000 million	RMB1,000 million
Good First Group Co., Ltd.	RMB133 million	RMB133 million
Tibet Hengxun Corporate Management Co., Ltd.	RMB10 million	RMB10 million
Tibet Fuju Enterprise Management Co., Ltd.	RMB300 million	RMB300 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.23.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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.
China Oceanwide Holdings Group Co., Ltd.	Formerly served as a principal shareholder of the Bank
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Guizhou Guoyuan Mining Development Co., Ltd.	Related party of the Bank holding equity interests arising from the bankruptcy reorganization of the borrower
Shanghai Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Jukun Network Technology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Yufu Expressway Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Beijing Dacheng Hotel Co., Ltd.	Related party of Orient Group Incorporation
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Goodfirst Group Co., Ltd.
Tianjin Shengshi Xinhe Real Estate Co., Ltd.	Related party of Dajia Life Insurance Co., Ltd.
Xiamen Rongyin Co., Ltd.	Related party of Goodfirst Group Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	Related party of Dajia Life Insurance Co., Ltd.
Chongqing Gengyu Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Beijing Xingtai Tonggang Real Estate Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Sichuan Dazhou Steel Group Co., Ltd.	Related party of the Bank holding equity interests arising from the bankruptcy reorganization of the borrower
Kunming Dashanghui Industrial Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties (*continued*)

9.1 Related parties (*continued*)

(4) Relationship with related parties (*continued*)

Company name	Relationship with the Bank
Yunnan Textile Corporation	Related party of Tongfang Guoxin Investment Co., Ltd.
Guangxi Xindi Investment Co., Ltd.	Related party of Goodfirst Group Co., Ltd.
New Hope Investment Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Hongfu Co., Ltd.	Related party of Goodfirst Group Co., Ltd.
Tianjin Yuanchuan Investment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Tianjin Boda Warehousing Service Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
New Hope Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd.	Related party of CONTINENTAL HOPE GROUP CORP., LTD.
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Dalian Jianhua Sludge Treatment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Sichuan Hope Shenlan Energy Chemical Co., Ltd.	Related party of CONTINENTAL HOPE GROUP CORP., LTD.
Tianjin Yuanxi Real Estate Development Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Hope Deepblue Air Conditioning Manufacture Corp., Ltd.	Related party of CONTINENTAL HOPE GROUP CORP., LTD.
Hope Senlan Science and Technology Holding Corp., Ltd.	Related party of CONTINENTAL HOPE GROUP CORP., LTD.
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Xunjiu Technology Co., Ltd.	Related party of the Bank's insiders
Beijing ENRELY Technology Co., Ltd.	Related party of the Bank's insiders

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties (*continued*)

9.1 Related parties (*continued*)

(4) Relationship with related parties (*continued*)

Company name	Relationship with the Bank
Wuxi Yuanmai Information Technology Co., Ltd.	Related party of the Bank's insiders
Jiangsu Zhijun Power Equipment Co., Ltd.	Related party of the Bank's insiders
Quanzhou Fengze District best art auto parts shop	Related party of the Bank's insiders
Shenyang New Hope Jinyu Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
SINO-OCEAN GROUP HOLDING LIMITED	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Sichuan Hope Deepblue Energy & Chemical Industry Corp., Ltd.	Related party of CONTINENTAL HOPE GROUP CORP., LTD.
Sanya Minsheng Tourism Co., Ltd.	Related party of Minsheng E-commerce Holdings (Shenzhen) Co., Ltd.
Minsheng Real Estate Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng E-commerce Holdings (Shenzhen) Co., Ltd.	A company with joint capital contribution of the substantial shareholders of the Bank and the asset management plan of a second-tier subsidiary of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng Technology Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 limits and asset transfers, and their close family members; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and natural persons identified by the Bank as being related on a substance over form basis and/or look-through basis. As at 31 December 2024, the Bank has 13,024 related natural persons, including 216 who were directors of the Bank and their close family members, 81 who were supervisors of the Bank and their close family members, 168 who were senior executives of the head office and their close family members, 12,376 who were senior executives of key branches of the Bank or people with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers, and their close family members, 180 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 104 other natural persons.

Note: Among the Bank's directors and their close family members, 93 were also senior executives of the head office or close family members, and 8 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.

9.2 Related party transactions

(1) Material related party transactions

Material related party transactions refer to transactions where an individual transaction between the Group and a single related party amounts to more than 1% of the Group's net capital at the end of the previous quarter, or where the cumulative total of transactions between the Group and a single related party amounts to more than 5% of the Group's net capital at the end of the previous quarter.

For the year ended 31 December 2023, the Bank granted to Dajia Life Insurance Inc. a comprehensive credit limit of RMB26 billion with a term of 2 years. As at 31 December 2024, the loan balance was RMB18.20 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 FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024	31 December 2023
Dajia Life Insurance Inc.	Pledged/Guaranteed	18,201	26,000
Oceanwide Holding Co., Ltd.	Pledged/Collateralised/ Guaranteed	6,800	6,800
China Oceanwide Holdings Group Co., Ltd.	Pledged/Guaranteed	4,666	4,666
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	3,972	3,972
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/Collateralised/ Guaranteed	3,757	4,329
Orient Group Incorporation	Pledged/Collateralised/ Guaranteed	3,467	3,478
Guizhou Guoyuan Mining Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	3,335	3,335
Shanghai Cibi Business Information Consulting Co., Ltd.	Pledged/Guaranteed	3,308	6,611
Wuhan CBD Co., Ltd.	Collateralised/Guaranteed	3,046	3,046
Shanghai Jukun Network Technology Co., Ltd.	Pledged/Guaranteed	3,040	–
Oriental Group Co., Ltd.	Pledged/Guaranteed	2,542	2,252
Chongqing Yufu Expressway Co., Ltd.	Pledged/Guaranteed	1,762	1,987
Beijing Dacheng Hotel Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,685	1,698

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties (*continued*)9.2 Related party transactions (*continued*)(3) Loans to related parties (*continued*)

	Types of collateral	31 December 2024	31 December 2023
Tongfang Guoxin Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,260	1,443
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	978	985
Tianjin Shengshi Xinhe Real Estate Co., Ltd.	Pledged/Collateralised	900	–
Xiamen Rongyin Co., Ltd.	Pledged/Collateralised/ Guaranteed	890	900
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/Guaranteed	850	900
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	Collateralised/Guaranteed	807	867
Chongqing Gengyu Real Estate Development Co., Ltd.	Collateralised/Guaranteed	803	937
Beijing Xingtai Tonggang Real Estate Co., Ltd.	Collateralised	778	698
Sichuan Dazhou Steel Group Co., Ltd.	Pledged/Collateralised/ Guaranteed	725	725
Kunming Dashanghui Industrial Co., Ltd.	Pledged/Collateralised/ Guaranteed	689	580
Yunnan Textile Corporation	Pledged/Collateralised/ Guaranteed	603	640
Guangxi Xindi Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	549	569
New Hope Investment Group Co., Ltd.	Pledged/Guaranteed	450	–
Xiamen Hongfu Co., Ltd.	Pledged/Guaranteed	390	400
Tianjin Yuanchuan Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	314	317

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(3) Loans to related parties (*continued*)

	Types of collateral	31 December 2024	31 December 2023
Tianjin Boda Warehousing Service Co., Ltd.	Pledged/Collateralised/ Guaranteed	275	276
New Hope Group Co., Ltd.	Guaranteed	240	300
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	145	150
Grass Green Group Co., Ltd.	Pledged/Guaranteed	124	149
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd.	Guaranteed	80	80
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	70	70
Dalian Jianhua Sludge Treatment Co., Ltd.	Collateralised	67	70
Sichuan Hope Shenlan Energy Chemical Co., Ltd.	Guaranteed	60	–
Tianjin Yuanxi Real Estate Development Co., Ltd.	Pledged/Collateralised	52	229
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	40	130
Hope Deepblue Air Conditioning Manufacture Corp., Ltd.	Pledged/Guaranteed	31	30
Hope Senlan Science and Technology Holding Corp., Ltd.	Guaranteed	30	30
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Guaranteed	30	50
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd.	Collateralised	15	15
Shanghai Xunjiu Technology Co., Ltd.	Collateralised	5	14
Beijing ENRELY Technology Co., Ltd.	Guaranteed	3	4
Wuxi Yuanmai Information Technology Co., Ltd.	Pledged	3	–
Jiangsu Zhijun Power Equipment Co., Ltd.	Collateralised	2	3
Quanzhou Fengze District best art auto parts shop	Collateralised	1	2
Shenyang New Hope Jinyu Real Estate Co., Ltd.	Pledged/Collateralised/ Guaranteed	–	500
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/Guaranteed	–	146

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties (*continued*)9.2 Related party transactions (*continued*)(3) Loans to related parties (*continued*)

	Types of collateral	31 December 2024	31 December 2023
UNITED ENERGY GROUP (HONG KONG) LIMITED	Pledged/Guaranteed	–	2,171
Tianjin Languang Hejun Small Station Culture and Tourism Entertainment Development Co., Ltd. (a)	Pledged/Collateralised/ Guaranteed	N/A	1,169
QUAM PLUS INTERNATIONAL FINANCIAL LIMITED (a)	Pledged/Guaranteed	N/A	227
SINO-OCEAN GROUP HOLDING LIMITED	Guaranteed	–	198
Sichuan Hope Hydropower Development Co., Ltd.	Pledged/Guaranteed	–	60
Individuals	Pledged/Collateralised/ Guaranteed	1,216	1,401
Total		73,056	85,609
Ratio to similar transactions (%)		1.66	1.98
Interest rate ranges of corporate related parties		2.30% – 8.95%	1.65% – 8.95%

(a) As at 31 December 2024, these companies were no longer related parties of the Group.

Amount of transactions:

	Year ended 31 December	
	2024	2023
Interest income from loans	2,889	4,874
Ratio to similar transactions (%)	1.66	2.61

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024		31 December 2023	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost	3,541	0.24	3,212	0.21
– Financial assets at fair value through profit or loss	923	0.24	867	0.27
– Financial assets at fair value through other comprehensive income	303	0.06	646	0.15
Long-term receivables	37	0.03	109	0.09
Intangible assets	36	0.45	–	–
Other assets (a)	66	0.14	850	1.77
Balances with banks and other financial institutions (b)	–	–	6	0.00
Deposits and placements from banks and other financial institutions	605	0.06	1,133	0.10
Deposits from customers	27,954	0.65	34,825	0.80
Other liabilities	22	0.03	22	0.06

(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.

(b) Balances with banks and other financial institutions as of 31 December 2023 constituted less than 0.01% of total comparable transactions after rounding.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(4) Other transactions with related parties (*continued*)

Interest rate ranges for transaction balances as at the end of reporting period

	31 December 2024	31 December 2023
Financial investments		
– Financial assets measured at amortised cost	4.90% – 5.50%	3.80% – 5.50%
– Financial assets at fair value through other comprehensive income	2.70% – 5.50%	2.70% – 5.50%
Long-term receivables	8.90%	9.31%
Balances with banks and other financial institutions	N/A	0.32% – 0.35%
Deposits and placements from banks and other financial institutions	0.10% – 2.78%	0.20% – 2.35%
Deposits from customers	0.00% – 5.31%	0.00% – 5.35%

Amount of transactions:

	Year ended 31 December			
	2024		2023	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	160	0.06	195	0.07
Interest expense	527	0.35	997	0.61
Fee and commission income (a)	164	0.74	389	1.53
Operating expenses (b)	1,640	3.09	1,793	3.40
Net other operating income (c)	603	23.06	592	24.19

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties (*continued*)9.2 Related party transactions (*continued*)(4) Other transactions with related parties (*continued*)

For the year ended 31 December 2024, the Bank entrusted related parties to develop software and systems, and paid a total of RMB943 million (for the year ended 31 December 2023: RMB1,484 million). The main service provider was Minsheng Fintech Co., Ltd.

- (a) For the years ended 31 December 2024 and 2023, it mainly represents the Group's income from agency sales of insurance products for Dajia Life Insurance Inc.
- (b) Operating expenses of the Group were mainly for property management service and assets recovery service provided by Minsheng Real Estate Co., Ltd. and its related parties, financial business outsourcing service, travel and publicity campaigns provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.
- (c) For the year ended 31 December 2024, Minsheng Financial Leasing recognised RMB529 million fees for ancillary service in asset management provided by Sanya Minsheng Tourism Co., Ltd. (for the year ended 31 December 2023: RMB549 million).

Balance of off-balance sheet items:

	31 December 2024		31 December 2023	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	–	–	89	0.02
Guarantees (a)	0	0.00	–	–
Letters of credit	–	–	290	0.27
Unused credit card commitments	540	0.10	596	0.12

- (a) The balances are rounded to less than RMB1 million.

Balances of loans guaranteed by related parties:

	31 December 2024	31 December 2023
Loans guaranteed by related parties	34,727	42,677
Ratio to similar transactions (%)	0.79	0.99

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2024 and 2023.

(6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB0.76 million as at 31 December 2024 (31 December 2023: RMB2.26 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 RMB68 million for the year ended 31 December 2024 (2023: RMB104 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 RMB27 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2023: RMB42 million) 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 the former CBIRC as well as relevant rules of the Bank. The Bank subscribed RMB6 million for supplementary pension insurance for the key management personnel in 2024 (2023: RMB8 million). The related salaries and benefits of 2022 were restated in accordance with the Supplement to 2022 Annual Report of China Minsheng Banking Corp., Ltd.

The total 2024 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 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 ended 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024	31 December 2023
Placements with banks and other financial institutions	25,622	28,829
Loans and advances to customers	2,080	1,385
Financial investment	2,037	1,427
Balances with banks and other financial institutions	—	220
Other assets	76	103
Deposits and placements from banks and other financial institutions	11,081	24,598
Deposits from customers	406	614
Debt securities issued	—	257
Other liabilities	—	51

Amount of transactions for the reporting period:

	Year ended 31 December	
	2024	2023
Interest income	1,263	1,349
Interest expense	219	262
Fee and commission income	561	890
Fee and commission expense	3	147
Operating expenses	—	4
Net other operating income	1	1

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(8) Material transactions between the Bank and its subsidiaries:

- (a) For the year ended 31 December 2024, Minsheng Financial Leasing did not transfer its financial leasing assets to the Bank through non-recourse factoring (For the year ended 31 December 2023, Minsheng Financial Leasing transferred its financial leasing assets with a carrying amount of RMB10,381 million to the Bank through non-recourse factoring).
- (b) For the year ended 31 December 2023, the Bank granted CMBC Wealth Management Co., Ltd. a maximum credit limit of RMB68,000 million with a term of 2 years. As at 31 December 2024, the credit line remained unused.

(9) Transactions between subsidiaries:

For the year ended 31 December 2024, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 31 December 2024, the balance of the above transactions was RMB65 million (31 December 2023: RMB153 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 Group's credit risk management covers the whole process of credit, investment, leasing and other businesses, including risk appetite and policy formulation, credit acceptance approval, post-loan (investment) management, credit risk monitoring report and other key activities. The Group's business lines bear the direct responsibility for credit risk management, the risk management line bears the responsibilities for formulating policies and processes, monitoring and managing risks, and the internal audit department bears the audit responsibility for performance of duties by business departments and the risk management department:

- The Group's business lines and departments including the Corporate Business Department/ Sci-Tech Finance Department, the Strategic Clients Department, the Inclusive Finance SBU/ Small Business Finance SBU, the Personal Finance Department, the Retail Business Quality Control Department/Consumer Rights Protection Department, the Financial Institutions Department, the Financial Markets Department are directly responsible for credit risk and serve as the first line of defence in risk internal control management. They formulated the requirements and process according to the Group's risk management system, organised operating agencies to carry out relevant business.
- The functional departments that engage in credit risk management mainly include departments such as the Credit Management Department, the Risk Management Department, the Credit Approval Department and the Special Assets Department, and they serve as the second line of defence in credit risk management. Among them, the Credit Management Department is the department in charge of credit risk management. The Risk Management Department is responsible for assigning ratings, credit risk measurement and other activities. The Credit Approval Department is responsible for tasks such as comprehensive credit granting and credit approval of various credit businesses. The Special Assets Department is responsible for tasks such as asset protection.
- The Group's audit department serves as the third line of defence in risk management and is responsible for supervision and evaluation.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

The credit risk management of the Group includes processes and activities of pre-loan (investment) investigation, inspection and review for lending (investment) and post-loan (investment) management of credit business. Pre-loan (investment) investigation represents assigning credit risk ratings and conducting risk assessment of customers; for the inspection and review for lending (investment), all businesses must be approved by authorised approvers; During the post-loan (investment) management, the Group continuously monitors businesses and strengthens risk monitoring on key industries, regions, products and customers, timely reports the matters and emergencies in the borrower that endanger the safety of credit assets and may cause significant credit risk, and takes timely measures to effectively prevent, control and mitigate risks. The Group has continuously improved its internal control mechanism, strengthened the entire process management of credit business, assigns the responsibilities of each activity in credit business management to all relevant departments and posts according to the principle of effective checks and balances, and established an appraisal and accountability mechanism.

The Group measures and manages the quality of its on-balance sheet and off-balance sheet financial assets exposed to credit risk in accordance with the Measures for the Risk-based Classification of Financial Assets by Commercial Banks (Decree [2023] No. 1 of the CBIRC and the PBC). The Bank has formulated the Administrative Measures for Risk Classification of Financial Assets of China Minsheng Banking Corporation Limited to classify its financial assets by their risk level into five categories, namely, Normal, Special-Mention, Substandard, Doubtful and Loss, with assets classified into the latter three categories collectively referred to as “non-performing assets” to clarify the three-level procedures of “initial classification, affirmation and approval” for risk classification, and strictly conduct risk classification management.

The Group continues to deepen credit risk management empowered by technology, build an intelligent risk control system based on big data, artificial intelligence and other technologies, so as to promote the transformation of credit risk management to digital intelligence, and constantly improve the accuracy, foresight, proactivity and effectiveness of credit risk management.

The Group requires clients to provide collateral/pledges or guarantee when appropriate. The Group has established a management system and operating process for collateral and pledges. The Group continues to monitor the value, structure and legal contracts of collateral and pledges to ensure that they can continue to perform the intended purpose and comply with market practices.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(1) Expected Credit Loss (“ECL”) measurement

According to the IFRS 9: Financial Instruments, the Group classifies its financial instruments into three stages for the purpose of ECL measurement and applies the ECL model to calculate credit loss provisions for on-balance sheet financial instruments that are exposed to credit risk and measured either at amortised cost or at fair value through other comprehensive income, such as loans, debt securities, balances with banks and other financial institutions, account receivables, lease receivables, and other debt investments, as well as off-balance sheet financial instruments that are exposed to credit risk, such as financial guarantee contracts and loan commitments.

The Group adopts the parameters-based approach and the discounted cash flow (“DCF”) method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group regularly reviews and optimizes its expected credit loss model, and makes timely updates to the forward-looking information and relevant parameters in accordance with the requirements of Implementation Rules on Expected Credit Loss Approach of Commercial Banks (CBIRC [2022] No. 10) and internal relevant management system.

(a) Financial instrument risk stages

The Group applies a “three-stage model” for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

- Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.
- Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.
- Stage 3: For financial assets with objective evidence of impairment as at the end of reporting period, expected credit losses are recognised for the remaining lifetime.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(1) Expected Credit Loss ("ECL") measurement (*continued*)

(b) Criteria for significant increase in credit risk ("SICR")

The Group assesses, at each reporting period end, whether or not the credit risk of relevant financial instruments has increased significantly since their initial recognition. In order to determine whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and supportable information that is available without undue cost or effort and sets qualitative and quantitative criteria accordingly. The quantitative criteria include overdue days of the principal or interest for more than 30 days, credit asset classified as special-mention, the absolute level or relative change of Probability of Default in excess of the preset thresholds, among others; and the qualitative criteria mainly cover the regulatory and business environments, the borrowers' repayment ability, borrowers' operation capability, borrowers' repayment behaviours, and forward-looking information, among others.

(c) Definition of credit-impaired financial asset

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(1) Expected Credit Loss ("ECL") measurement (*continued*)

(d) Segmentation of risk exposures

For the purpose of expected credit loss measurement, the Group classifies exposures with similar credit risk characteristics into segmentation. The Group segments corporate financial assets mainly according to the borrower types and the industry in which they operate, and retail assets mainly according to product types, and the Group reviews the appropriateness of its risk grouping and makes corrections to the grouping results on an annual basis.

(e) Parameters for ECL measurement

Except for credit-impaired financial assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument according to whether there is a significant increase in credit risk. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;
- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;
- EAD refers to the total amount of on – and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet credit risk conversion factor etc., and may vary by product types.

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the quarterly year-on-year (Y/Y) growth rates of Gross Domestic Product (GDP), Broad Money Supply (M2) and Consumer Price Index (CPI) respectively. The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indicators for ECL calculation.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(1) Expected Credit Loss ("ECL") measurement (*continued*)

(f) Forward-looking information incorporated in the ECL (*continued*)

As at 31 December 2024, the Group has considered different macroeconomic scenarios, and the main economic indicators with predicted ranges in estimating ECL are set out as below:

Variables	Range
Quarterly Y/Y growth rate of GDP	2.9% ~ 5.1%
Quarterly Y/Y growth rate of M2	8.9% ~ 12.9%
Quarterly Y/Y growth rate of CPI	-0.9% ~ 3.4%

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 2024 and 31 December 2023, the positive, neutral and negative scenarios had similar weightings.

(g) Cash flow forecasts for Stage 3 corporate financial assets

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets. The DCF method estimates the expected credit losses based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(2) 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 2024	31 December 2023
Balances with central bank	280,189	383,365
Balances with banks and other financial institutions	117,731	129,678
Placements with banks and other financial institutions	186,456	172,778
Derivative financial assets	30,283	24,797
Financial assets held under resale agreements	76,958	35,773
Loans and advances to customers	4,396,036	4,323,908
Financial investments		
– Financial assets at fair value through profit or loss	198,323	165,173
– Financial assets measured at amortised cost	1,480,798	1,531,024
– Financial assets at fair value through other comprehensive income	532,935	412,100
Long-term receivables	112,382	119,434
Other financial assets	31,382	30,608
Total	7,443,473	7,328,638
Off-balance sheet credit commitments	1,370,904	1,279,620
Maximum credit risk exposure	8,814,377	8,608,258

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Analysis on the credit quality of financial instruments

(a) As at 31 December 2024, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	280,189	-	-	280,189	-	-	-	-
Balances with banks and other financial institutions	117,733	-	-	117,733	(2)	-	-	(2)
Placements with banks and other financial institutions	186,748	-	1,193	187,941	(292)	-	(1,193)	(1,485)
Financial assets held under resale agreements	76,570	-	435	77,005	(2)	-	(45)	(47)
Loans and advances to customers								
– Corporate loans and advances	2,510,263	148,392	55,046	2,713,701	(18,897)	(15,094)	(22,800)	(56,791)
– Personal loans and advances	1,711,099	31,695	31,945	1,774,739	(7,746)	(7,932)	(20,660)	(36,338)
Financial investments	1,985,681	5,902	36,047	2,027,630	(2,359)	(412)	(11,126)	(13,897)
Long-term receivables	105,296	3,851	6,097	115,244	(675)	(413)	(1,774)	(2,862)
Off-balance sheet credit commitments	1,365,627	5,275	2	1,370,904	(1,008)	(49)	(1)	(1,058)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(3) Analysis on the credit quality of financial instruments (*continued*)

As at 31 December 2023, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	383,365	-	-	383,365	-	-	-	-
Balances with banks and other financial institutions	129,682	-	-	129,682	(4)	-	-	(4)
Placements with banks and other financial institutions	173,098	-	1,193	174,291	(537)	-	(976)	(1,513)
Financial assets held under resale agreements	35,364	-	435	35,799	(1)	-	(25)	(26)
Loans and advances to customers								
– Corporate loans and advances	2,439,174	150,250	59,039	2,648,463	(18,374)	(18,204)	(26,816)	(63,394)
– Personal loans and advances	1,712,002	33,255	26,981	1,772,238	(7,858)	(7,220)	(18,972)	(34,050)
Financial investments	1,912,187	5,125	36,022	1,953,334	(2,793)	(406)	(9,187)	(12,386)
Long-term receivables	107,995	7,909	6,309	122,213	(707)	(436)	(1,636)	(2,779)
Off-balance sheet credit commitments	1,273,665	5,939	16	1,279,620	(1,065)	(146)	(1)	(1,212)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(4) Loans and advances to customers

(a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	31 December 2024	31 December 2023
Stage 1		
Unsecured loans	1,312,326	1,207,124
Guaranteed loans	802,071	737,403
Loans secured by		
Tangible assets other than monetary assets	1,628,526	1,627,683
Monetary assets	460,957	562,834
Subtotal	4,203,880	4,135,044
Stage 2		
Unsecured loans	18,638	23,083
Guaranteed loans	21,989	23,835
Loans secured by		
Tangible assets other than monetary assets	89,928	85,945
Monetary assets	29,179	31,075
Subtotal	159,734	163,938
Stage 3		
Unsecured loans	20,305	19,193
Guaranteed loans	14,512	13,303
Loans secured by		
Tangible assets other than monetary assets	40,883	43,551
Monetary assets	11,166	9,848
Subtotal	86,866	85,895
Total	4,450,480	4,384,877
Credit-impaired loans secured by collateral	19,117	21,649

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

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

(b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	31 December 2024		31 December 2023	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	547,070	12.29	556,874	12.70
Manufacturing	508,464	11.42	465,092	10.61
Real estate	333,439	7.49	346,298	7.90
Wholesale and retail	295,899	6.65	286,014	6.52
Financial services	173,059	3.89	165,194	3.77
Transportation, storage and postal services	171,065	3.85	168,187	3.84
Water, environment and public utilities management	165,256	3.71	170,648	3.89
Production and supply of electric power, heat, gas and water	136,116	3.06	130,512	2.98
Construction	125,336	2.82	119,477	2.72
Mining	64,345	1.45	69,034	1.57
Information transmission, software and IT services	45,895	1.03	42,602	0.97
Scientific research and technical service	39,153	0.88	22,216	0.50
Agriculture, forestry, animal husbandry and fishery	22,837	0.51	21,376	0.49
Others	51,987	1.17	53,831	1.23
Subtotal	2,679,921	60.22	2,617,355	59.69
Personal loans and advances	1,770,559	39.78	1,767,522	40.31
Total	4,450,480	100.00	4,384,877	100.00

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

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

(c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	31 December 2024		31 December 2023	
	Amount	(%)	Amount	(%)
Head Office	487,000	10.94	492,829	11.24
Yangtze River Delta	1,155,778	25.97	1,125,915	25.68
Pearl River Delta	710,655	15.97	689,726	15.73
Bohai Rim	693,598	15.58	701,020	15.99
Western Region	680,003	15.28	660,499	15.06
Central Region	510,355	11.47	509,089	11.61
Northeastern Region	91,780	2.06	100,418	2.29
Overseas and subsidiaries	121,311	2.73	105,381	2.40
Total	4,450,480	100.00	4,384,877	100.00

(5) Rescheduled loans and advances

Rescheduled loans and advances to customers are those loans and advances for which, due to financial difficulties on the part of the borrowers, the Group has made modifications to the contract terms that are favorable to the borrowers, or has entered into refinancing arrangements with the borrowers, including borrowing for repaying or additional debt financing, etc., to facilitate the borrowers to meet their repayment obligations. As at 31 December 2024, the amount of the Group's rescheduled loans and advances to customers is RMB26,401 million (31 December 2023: RMB22,958 million).

Rescheduled loans and advances which were not past due or past due for no more than 90 days are as follows:

	31 December 2024	31 December 2023
Loans and advances to customers	18,680	10,199
Ratio of total loans and advances to customers (%)	0.42	0.23

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)10.2 Credit risk (*continued*)

(6) 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 2024					Total
	Unrated (a)	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions (b)	31,033	–	–	–	–	31,033
– Corporates	3,433	–	–	594	1,399	5,426
Gross balance	34,466	–	–	594	1,399	36,459
Interest accrued						3,797
Less: Allowance for impairment losses of financial assets measured at amortised cost						(9,818)
Subtotal						30,438
Not impaired						
– Government	618,539	727,991	41	34	–	1,346,605
– Policy banks	106,435	–	1,171	–	–	107,606
– Banks and non-bank financial institutions	87,736	149,940	–	423	420	238,519
– Corporates	76,647	182,807	8,810	2,400	688	271,352
Gross balance	889,357	1,060,738	10,022	2,857	1,108	1,964,082
Interest accrued						20,844
Less: Allowance for impairment losses of financial assets measured at amortised cost						(1,630)
Subtotal						1,983,296
Total						2,013,734

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(6) Distribution of debt instruments analysed by issuers and rating (*continued*)

	31 December 2023					
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	29,010	–	–	–	12	29,022
– Corporates	4,134	–	–	–	740	4,874
Gross balance	33,144	–	–	–	752	33,896
Interest accrued						2,126
Less: Allowance for impairment losses of financial assets measured at amortised cost						(7,854)
Subtotal						28,168
Not impaired						
– Government	884,983	377,417	5,145	2,269	–	1,269,814
– Policy banks	142,368	10	–	948	–	143,326
– Banks and non-bank financial institutions	55,027	169,880	3,645	24,516	16,720	269,788
– Corporates	84,949	227,347	32,774	13,393	18,954	377,417
Gross balance	1,167,327	774,654	41,564	41,126	35,674	2,060,345
Interest accrued						22,140
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,356)
Subtotal						2,080,129
Total						2,108,297

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates and bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.2 Credit risk (*continued*)

(7) Investments classified as trust and asset management plans analysed by type of underlying assets

	31 December 2024	31 December 2023
Trust and asset management plans		
Credit assets	27,173	30,482
Bonds and others	18,254	17,185
Total	45,427	47,667

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on- and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments, foreign exchange and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Exchange rate risk of trading books arises from currency exposure conducted for customers, market making, proprietary trading, foreign exchange and foreign exchange derivative financial instrument transactions for the purpose of obtaining spreads or locking in arbitrage. The Bank measures exchange rate risk indicators through the identification of exchange rate risk factors and comprehensively evaluates the impact of changes in risk factors on each portfolio, product category and the Bank's profit and loss situation.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest are mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	279,339	5,575	329	206	285,449
Balances with banks and other financial institutions	78,897	34,816	1,580	2,438	117,731
Placements with banks and other financial institutions	138,831	32,755	2,492	12,378	186,456
Financial assets held under resale agreements	76,958	–	–	–	76,958
Loans and advances to customers	4,244,613	90,923	39,056	21,444	4,396,036
Financial investments	2,251,474	128,357	5,634	13,237	2,398,702
Long-term receivables	97,766	14,616	–	–	112,382
Other assets	163,268	41,570	5,217	31,200	241,255
Total assets	7,331,146	348,612	54,308	80,903	7,814,969
Liabilities:					
Borrowings from central bank	261,108	–	–	–	261,108
Deposits and placements from banks and other financial institutions	970,311	67,786	15,862	19,747	1,073,706
Borrowings from banks and other financial institutions	72,270	37,538	2,185	–	111,993
Financial assets sold under repurchase agreements	236,285	8,038	3,783	18	248,124
Deposits from customers	4,082,728	213,036	15,357	21,560	4,332,681
Debt securities issued	938,863	2,162	–	–	941,025
Lease liabilities	8,979	–	85	14	9,078
Other liabilities	171,513	7,631	1,192	350	180,686
Total liabilities	6,742,057	336,191	38,464	41,689	7,158,401
Net position	589,089	12,421	15,844	39,214	656,568
Foreign currency derivatives	57,707	11,407	(14,746)	(47,732)	6,636
Off-balance sheet credit commitments	1,317,138	48,877	2,395	2,494	1,370,904

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)10.3 Market risk (*continued*)(2) Currency risk (*continued*)

	31 December 2023				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	352,299	37,584	286	198	390,367
Balances with banks and other financial institutions	60,976	18,731	2,417	47,554	129,678
Placements with banks and other financial institutions	154,348	15,767	1,996	667	172,778
Financial assets held under resale agreements	35,773	–	–	–	35,773
Loans and advances to customers	4,171,618	96,216	35,541	20,533	4,323,908
Financial investments	2,140,966	109,853	6,594	14,729	2,272,142
Long-term receivables	102,608	16,826	–	–	119,434
Other assets	160,120	41,659	802	28,304	230,885
Total assets	7,178,708	336,636	47,636	111,985	7,674,965
Liabilities:					
Borrowings from central bank	326,454	–	–	–	326,454
Deposits and placements from banks and other financial institutions	1,127,986	83,835	16,994	13,244	1,242,059
Borrowings from banks and other financial institutions	76,798	35,854	3,063	–	115,715
Financial assets sold under repurchase agreements	178,632	10,227	1,913	361	191,133
Deposits from customers	4,164,357	159,474	19,084	10,366	4,353,281
Debt securities issued	675,614	212	–	–	675,826
Lease liabilities	9,409	–	151	–	9,560
Other liabilities	111,001	10,814	1,290	31	123,136
Total liabilities	6,670,251	300,416	42,495	24,002	7,037,164
Net position	508,457	36,220	5,141	87,983	637,801
Foreign currency derivatives	66,000	(33,807)	(11,776)	(20,421)	(4)
Off-balance sheet credit commitments	1,239,280	34,165	2,380	3,795	1,279,620

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 statement of profit or loss of potential movements in foreign currency exchange rates against the RMB. As at 31 December 2024, 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 RMB506 million (31 December 2023 with 1% appreciation of the US dollar against the RMB would increase both the Group's net profit and equity by RMB970 million); with 1% depreciation of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB506 million (31 December 2023: decrease by RMB970 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

(a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, valuation analyses, sensitivity analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group strengthens interest rate risk management in the banking book by setting risk limits such as duration and valuation loss tolerance. The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs scenario analyses and stress tests on a regular basis, and adjusts asset and liability maturity strategy, interest rates of deposits and loans in both RMB and foreign currencies as well as repricing strategy to manage interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024						Total
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:							
Cash and balances with central bank	280,068	-	-	-	-	5,381	285,449
Balances with banks and other financial institutions	111,066	2,455	4,100	-	-	110	117,731
Placements with banks and other financial institutions	133,978	21,264	25,514	4,961	272	467	186,456
Financial assets held under resale agreements	76,926	-	-	-	-	32	76,958
Loans and advances to customers	926,458	1,036,212	1,567,709	686,091	141,607	37,959	4,396,036
Financial investments	76,120	75,079	319,582	1,015,643	658,311	253,967	2,398,702
Long-term receivables	7,400	8,832	34,321	53,456	8,373	-	112,382
Other assets	402	-	797	971	-	239,085	241,255
Total assets	1,612,418	1,143,842	1,952,023	1,761,122	808,563	537,001	7,814,969
Liabilities:							
Borrowings from central bank	10,002	55,676	193,389	-	-	2,041	261,108
Deposits and placements from banks and other financial institutions	556,380	174,774	337,920	-	-	4,632	1,073,706
Borrowings from banks and other financial institutions	40,910	25,318	42,300	2,538	-	927	111,993
Financial assets sold under repurchase agreements	60,942	97,821	88,876	-	-	485	248,124
Deposits from customers	1,979,580	410,504	845,692	1,013,107	212	83,586	4,332,681
Debt securities issued	15,440	202,312	609,895	30,970	79,994	2,414	941,025
Lease liabilities	225	512	2,007	5,340	994	-	9,078
Other liabilities	150	9,834	1,884	-	-	168,818	180,686
Total liabilities	2,663,629	976,751	2,121,963	1,051,955	81,200	262,903	7,158,401
Interest rate gap	(1,051,211)	167,091	(169,940)	709,167	727,363	274,098	656,568

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)10.3 Market risk (*continued*)(3) Interest rate risk (*continued*)(b) The banking books (*continued*)

	31 December 2023						Non-interest bearing	Total
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years			
Assets:								
Cash and balances with central bank	383,233	–	–	–	–	7,134		390,367
Balances with banks and other financial institutions	115,119	5,719	7,065	1,567	85	123		129,678
Placements with banks and other financial institutions	26,141	26,616	71,398	48,227	–	396		172,778
Financial assets held under resale agreements	35,434	300	–	–	–	39		35,773
Loans and advances to customers	792,629	711,038	1,850,375	776,058	157,984	35,824		4,323,908
Financial investments	89,858	147,604	324,086	996,360	518,235	195,999		2,272,142
Long-term receivables	18,054	8,370	44,018	44,041	4,951	–		119,434
Other assets	211	29	183	30	–	230,432		230,885
Total assets	1,460,679	899,676	2,297,125	1,866,283	681,255	469,947		7,674,965
Liabilities:								
Borrowings from central bank	10,013	68,923	244,539	–	–	2,979		326,454
Deposits and placements from banks and other financial institutions	574,151	281,427	380,004	–	–	6,477		1,242,059
Borrowings from banks and other financial institutions	26,396	32,744	50,883	4,502	422	768		115,715
Financial assets sold under repurchase agreements	133,326	21,316	36,139	–	–	352		191,133
Deposits from customers	2,198,701	333,487	692,635	1,057,624	556	70,278		4,353,281
Debt securities issued	33,723	177,805	323,222	47,576	89,992	3,508		675,826
Lease liabilities	230	362	2,153	5,608	1,207	–		9,560
Other liabilities	67	1,053	985	–	–	121,031		123,136
Total liabilities	2,976,607	917,117	1,730,560	1,115,310	92,177	205,393		7,037,164
Interest rate gap	(1,515,928)	(17,441)	566,565	750,973	589,078	264,554		637,801

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024 (Loss)/Gain	31 December 2023 (Loss)/Gain
Up 100 bps parallel shift in yield curves	(6,269)	(8,469)
Down 100 bps parallel shift in yield curves	6,269	8,469

In performing the interest rate sensitivity analysis, the Group and the Bank has made general assumptions in defining business terms and financial parameters, but have not considered the following:

- 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;
- the impact of interest rate fluctuations on customers' behaviour;
- the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- the impact of interest rate fluctuations on market prices;
- the impact of interest rate fluctuations on off-balance sheet products;
- the impact of interest rate fluctuations on fair value of financial instruments;
- other variables (including foreign exchange rate); and
- other risk management measures in the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Asset and Liability and Financial Management Department is responsible for the daily liquidity risk management through the following procedures:

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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. 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.

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(2) Maturity analysis (*continued*)

	31 December 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	242,628	42,821	-	-	-	-	-	285,449
Balances with banks and other financial institutions	-	107,158	4,018	2,455	4,100	-	-	117,731
Placements with banks and other financial institutions	-	-	31,388	67,959	78,664	8,169	276	186,456
Financial assets held under resale agreements	411	-	76,547	-	-	-	-	76,958
Loans and advances to customers	53,736	8,030	340,287	309,522	1,292,316	1,225,148	1,166,997	4,396,036
Financial investments	221,567	-	78,571	71,247	328,554	1,034,130	664,633	2,398,702
Long-term receivables	7,319	1,146	1,469	1,700	14,313	74,858	11,577	112,382
Other assets	188,269	5,876	14,251	16,062	5,801	9,578	1,418	241,255
Total assets	713,930	165,031	546,531	468,945	1,723,748	2,351,883	1,844,901	7,814,969

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(2) Maturity analysis (*continued*)

	31 December 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	10,247	56,793	194,068	-	-	261,108
Deposits and placements from banks and other financial institutions	-	455,080	105,466	175,038	338,122	-	-	1,073,706
Borrowings from banks and other financial institutions	-	-	20,087	26,874	47,689	13,194	4,149	111,993
Financial assets sold under repurchase agreements	-	-	61,078	98,073	88,973	-	-	248,124
Deposits from customers	-	1,805,555	213,072	418,649	862,226	1,033,179	-	4,332,681
Debt securities issued	-	-	15,440	202,356	610,111	33,124	79,994	941,025
Lease liabilities	-	-	225	512	2,007	5,340	994	9,078
Other liabilities	1,730	96,185	14,489	30,437	24,108	11,931	1,806	180,686
Total liabilities	1,730	2,356,820	440,104	1,008,732	2,167,304	1,096,768	86,943	7,158,401
Net position	712,200	(2,191,789)	106,427	(539,787)	(443,556)	1,255,115	1,757,958	656,568
Notional amount of derivatives	-	-	819,127	839,096	3,906,470	187,927	1,424	5,754,044

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(2) Maturity analysis (*continued*)

	Indefinite	Repayable on demand	Less than 1 month	31 December 2023				Total
				1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	292,660	97,707	–	–	–	–	–	390,367
Balances with banks and other financial institutions	–	109,921	5,306	5,729	7,070	1,567	85	129,678
Placements with banks and other financial institutions	217	–	26,028	26,743	71,520	48,270	–	172,778
Financial assets held under resale agreements	432	–	35,040	301	–	–	–	35,773
Loans and advances to customers	50,052	9,377	372,788	313,879	1,260,862	1,204,067	1,112,883	4,323,908
Financial investments	192,027	–	56,271	139,940	316,281	1,043,099	524,524	2,272,142
Long-term receivables	5,242	1,198	4,715	9,261	37,843	55,852	5,323	119,434
Other assets	178,662	618	11,284	10,229	17,390	11,178	1,524	230,885
Total assets	719,292	218,821	511,432	506,082	1,710,966	2,364,033	1,644,339	7,674,965

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(2) Maturity analysis (*continued*)

	31 December 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	10,269	70,450	245,735	-	-	326,454
Deposits and placements from banks and other financial institutions	-	450,230	128,399	282,733	380,697	-	-	1,242,059
Borrowings from banks and other financial institutions	-	-	21,102	22,674	58,122	11,860	1,957	115,715
Financial assets sold under repurchase agreements	-	-	133,431	21,384	36,318	-	-	191,133
Deposits from customers	-	2,041,989	192,282	339,835	703,849	1,074,916	410	4,353,281
Debt securities issued	-	-	33,723	179,346	325,189	47,576	89,992	675,826
Lease liabilities	-	-	230	362	2,153	5,608	1,207	9,560
Other liabilities	2,178	10,448	14,081	61,728	20,064	12,748	1,889	123,136
Total liabilities	2,178	2,502,667	533,517	978,512	1,772,127	1,152,708	95,455	7,037,164
Net position	717,114	(2,283,846)	(22,085)	(472,430)	(61,161)	1,211,325	1,548,884	637,801
Notional amount of derivatives	-	-	751,399	946,685	1,952,414	889,620	2,370	4,542,488

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than 1 month, and also equity investments and fund investments in financial investments; and repayable on demand with respect to, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than 1 month.

	31 December 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	242,628	42,821	-	-	-	-	-	285,449
Balances with banks and other financial institutions	-	107,158	4,023	2,455	4,100	-	-	117,736
Placements with banks and other financial institutions	1,199	-	31,506	69,257	80,380	8,173	545	191,060
Financial assets held under resale agreements	411	-	76,560	-	-	-	-	76,971
Loans and advances to customers	95,605	10,687	360,417	360,612	1,463,356	1,522,870	1,692,957	5,506,504
Financial investments	238,652	-	81,848	80,284	368,098	1,144,083	789,297	2,702,262
Long-term receivables	8,767	1,349	1,578	1,753	15,209	85,792	15,021	129,469
Other assets	183,042	358	5,403	1,552	4,502	9,470	1,418	205,745
Total assets (expected maturity date)	770,304	162,373	561,335	515,913	1,935,645	2,770,388	2,499,238	9,215,196

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	10,258	57,048	197,279	-	-	264,585
Deposits and placements from banks and other financial institutions	-	455,522	105,528	175,275	338,321	-	-	1,074,646
Borrowings from banks and other financial institutions	-	-	20,111	27,167	48,371	13,871	4,465	113,985
Financial assets sold under repurchase agreements	-	-	61,185	98,470	89,893	-	-	249,548
Deposits from customers	-	1,805,555	213,319	419,644	865,154	1,062,311	-	4,365,983
Debt securities issued	-	-	15,450	203,164	617,257	33,502	96,125	965,498
Lease liabilities	-	-	243	552	2,165	5,759	1,072	9,791
Other liabilities	1,730	96,185	6,266	20,025	9,959	10,654	1,794	146,613
Total liabilities (contractual maturity date)	1,730	2,357,262	432,360	1,001,345	2,168,399	1,126,097	103,456	7,190,649

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (*continued*)

	31 December 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	292,660	97,707	–	–	–	–	–	390,367
Balances with banks and other financial institutions	–	109,925	5,322	5,833	7,184	1,567	85	129,916
Placements with banks and other financial institutions	1,193	–	26,666	27,901	73,815	49,066	–	178,641
Financial assets held under resale agreements	457	–	35,047	301	–	–	–	35,805
Loans and advances to customers	99,954	12,319	389,545	342,981	1,373,433	1,471,118	1,514,245	5,203,595
Financial investments	192,112	–	60,009	147,978	357,696	1,152,401	627,474	2,537,670
Long-term receivables	8,280	1,317	5,115	10,073	41,373	64,956	7,218	138,332
Other assets	183,277	618	6,524	1,707	8,975	9,083	1,443	211,627
Total assets (expected maturity date)	777,933	221,886	528,228	536,774	1,862,476	2,748,191	2,150,465	8,825,953

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities (*continued*)

	31 December 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	10,276	70,738	250,580	-	-	331,594
Deposits and placements from banks and other financial institutions	-	450,627	128,757	283,159	381,551	-	-	1,244,094
Borrowings from banks and other financial institutions	-	-	21,165	24,296	59,660	13,193	2,217	120,531
Financial assets sold under repurchase agreements	-	-	133,456	21,471	36,913	-	-	191,840
Deposits from customers	-	2,041,989	193,088	347,730	712,469	1,099,296	411	4,394,983
Debt securities issued	-	-	33,772	180,476	331,485	64,360	95,542	705,635
Lease liabilities	-	-	251	394	2,342	6,100	1,313	10,400
Other liabilities	2,178	10,448	7,896	49,716	10,569	11,174	1,879	93,860
Total liabilities (contractual maturity date)	2,178	2,503,064	528,661	977,980	1,785,569	1,194,123	101,362	7,092,937

(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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(4) Analysis on contractual undiscounted cash flows of derivatives (*continued*)

(a) Derivatives settled on a net basis (*continued*)

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 2024					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	364	6,828	(6,148)	2,486	–	3,530
Interest rate derivatives	(115)	(32)	627	165	8	653
Credit derivatives	20	–	60	167	–	247
Total	269	6,796	(5,461)	2,818	8	4,430

	31 December 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	(168)	70	412	63	–	377
Interest rate derivatives	39	681	780	786	11	2,297
Credit derivatives	16	–	37	82	–	135
Total	(113)	751	1,229	931	11	2,809

(b) Derivatives settled on a gross basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards and swaps

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(503,079)	(620,948)	(1,486,938)	(156,924)	–	(2,767,889)
– Cash inflow	504,851	623,048	1,491,178	157,124	–	2,776,201
Precious metal derivatives						
– Cash outflow	(25,742)	(23,868)	(25,038)	–	–	(74,648)
– Cash inflow	25,752	23,942	25,105	–	–	74,799
Total cash outflow	(528,821)	(644,816)	(1,511,976)	(156,924)	–	(2,842,537)
Total cash inflow	530,603	646,990	1,516,283	157,124	–	2,851,000

	31 December 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(120,834)	(94,199)	(158,192)	(128,398)	–	(501,623)
– Cash inflow	120,784	93,355	158,387	128,716	–	501,242
Precious metal derivatives						
– Cash outflow	(25,222)	(23,262)	(28,125)	–	–	(76,609)
– Cash inflow	23,873	20,224	26,927	–	–	71,024
Total cash outflow	(146,056)	(117,461)	(186,317)	(128,398)	–	(578,232)
Total cash inflow	144,657	113,579	185,314	128,716	–	572,266

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	518,662	–	–	518,662
Letters of credit	140,779	297	–	141,076
Guarantees	93,416	40,819	982	135,217
Unused credit card commitments	519,213	–	–	519,213
Irrevocable credit commitments	42,278	13,598	860	56,736
Total	1,314,348	54,714	1,842	1,370,904

	31 December 2023			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	476,334	–	–	476,334
Letters of credit	106,523	507	–	107,030
Guarantees	86,733	43,912	351	130,996
Unused credit card commitments	514,685	–	–	514,685
Irrevocable credit commitments	35,731	11,177	3,667	50,575
Total	1,220,006	55,596	4,018	1,279,620

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

10 Financial risk management (*continued*)

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.

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of policies to accrue country risk reserve.

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024, the Group computes the capital adequacy ratios in accordance with The Capital Rules for Commercial Banks and other relevant regulations. The credit risk-weighted assets are measured using the weighting method. The risk weights for on-balance sheet assets are determined in accordance with Appendix 2 and Appendix 3 of The Capital Rules for Commercial Banks, taking into account the risk mitigation effect provided by qualified collateral or qualified guarantors. The off-balance sheet items are measured by multiplying the nominal amounts by the credit conversion factors to obtain the equivalent on-balance sheet assets, which are then treated in the same manner as on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated using the standardized approach. Operational risk-weighted assets are also calculated using the standardized approach.

The Group's capital adequacy ratios are calculated in accordance with The Capital Rules for Commercial Banks 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. The Group's capital management, while meeting regulatory requirements and enhancing risk resilience, focuses on strengthening capital budgeting, allocation, and performance evaluation, optimizing business structure, improving capital efficiency, and creating value.

As of 31 December 2024, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio, and capital adequacy ratio all comply with the requirements of The Capital Rules for Commercial Banks and other relevant regulations. For more information on capital, please refer to the 2024 Third Pillar Disclosure Report on Capital Management published by the Bank on its official website.

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

11 Fair value of financial instruments

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.

Level 2: The debt securities classified as level 2 are RMB bonds and foreign currency bonds. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Other financial instruments classified as level 2 include derivative contracts, discounted bills and forfaiting, which are valued using discounted cash flow method and Blair-Scholes model, etc. All significant valuation parameters are obtained from observable market information.

Level 3: Financial instruments classified as level 3 include equity instruments and debt instruments, whose valuation involves one or more significant unobservable inputs, mainly including right of trust benefit, non-listed equities, subordinated tranches of asset-backed securities, convertible bonds, and asset management plans, etc. The valuation techniques used include discounted cash flow method, market approach and income approach, etc. Unobservable inputs for valuation models include discount rates and discounts for lack of marketability (DLOM), etc.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	174,206	2,005	176,211
Equity investments	1,020	1,655	14,561	17,236
Investment funds	90,908	69,423	1,567	161,898
Trust and asset management plans	–	12,603	5,651	18,254
Others	2,807	101	950	3,858
Financial assets at fair value through other comprehensive income				
Debt securities	–	532,060	875	532,935
Equity investments	68	1,469	5,975	7,512
Loans and advances to customers at fair value through other comprehensive income	–	232,509	–	232,509
Derivative financial assets				
Foreign exchange derivatives	–	26,568	–	26,568
Interest rate derivatives	–	1,844	–	1,844
Precious metal derivatives	–	1,839	–	1,839
Others	–	32	–	32
Total	94,803	1,054,309	31,584	1,180,696
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(25,516)	(14)	(25,530)
Interest rate derivatives	–	(687)	–	(687)
Precious metal derivatives	–	(7,856)	–	(7,856)
Others	–	–	–	–
Financial liabilities at fair value through profit or loss	–	(43,197)	(31)	(43,228)
Total	–	(77,256)	(45)	(77,301)

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(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

11 Fair value of financial instruments (*continued*)

11.1 Financial instruments recorded at fair value (*continued*)

	31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	142,836	3,255	146,091
Equity investments	1,535	1,932	16,170	19,637
Investment funds	118,979	11,115	1,463	131,557
Trust and asset management plans	–	10,975	6,210	17,185
Others	3,979	202	1,896	6,077
Financial assets at fair value through other comprehensive income				
Debt securities	–	411,160	940	412,100
Equity investments	–	2,578	5,893	8,471
Loans and advances to customers at fair value through other comprehensive income	–	279,998	–	279,998
Derivative financial assets				
Foreign exchange derivatives	–	22,130	–	22,130
Interest rate derivatives	–	1,733	–	1,733
Precious metal derivatives	–	908	–	908
Others	–	26	–	26
Total	124,493	885,593	35,827	1,045,913
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(22,011)	–	(22,011)
Interest rate derivatives	–	(676)	–	(676)
Precious metal derivatives	–	(6,585)	–	(6,585)
Others	–	(4)	–	(4)
Financial liabilities at fair value through profit or loss	–	(35,013)	(814)	(35,827)
Total	–	(64,289)	(814)	(65,103)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2024						
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total	Financial assets at fair value through profit or loss liabilities	Derivative financial liabilities	Total liabilities
		Debt securities	Equity securities				
As at 1 January 2024	28,994	940	5,893	35,827	814	-	814
Total gains/(losses)							
In profit or loss	(2,216)	(126)	-	(2,342)	-	-	-
In other comprehensive income	-	(269)	82	(187)	-	-	-
Purchase/transfer in	1,309	360	-	1,669	-	14	14
Settlement/transfer out	(3,353)	(30)	-	(3,383)	(783)	-	(783)
As at 31 December 2024	24,734	875	5,975	31,584	31	14	45
Total realised gains included in the consolidated statement of profit or loss	330	-	-	330	-	-	-
Total unrealised losses included in the consolidated statement of profit or loss	(2,546)	(126)	-	(2,672)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

11 Fair value of financial instruments (*continued*)

11.2 Movement in level 3 financial instruments measured at fair value (*continued*)

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total	Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities			
As at 1 January 2023	29,338	841	5,261	35,440	270	270
Total gains/(losses)						
In profit or loss	(617)	(13)	–	(630)	–	–
In other comprehensive income	–	2	569	571	–	–
Purchase/transfer in	4,639	140	63	4,842	544	544
Settlement/transfer out	(4,366)	(30)	–	(4,396)	–	–
As at 31 December 2023	28,994	940	5,893	35,827	814	814
Total realised gains included in the consolidated statement of profit or loss	55	–	–	55	–	–
Total unrealised losses included in the consolidated statement of profit or loss	(672)	(13)	–	(685)	–	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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:

	31 December 2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,480,798	1,529,949	–	1,488,791	41,158
Financial liabilities					
Debt securities issued	941,025	933,371	–	933,371	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,531,024	1,536,026	–	1,488,415	47,611
Financial liabilities					
Debt securities issued	675,826	669,980	–	669,980	–

12 Subsequent events

On February 14, 2025, the Bank issued RMB10 billion in green financial bonds with a 3-year fixed term and a coupon rate of 1.70%.

On February 18, 2025, the Bank issued RMB20 billion in financial bonds with a 3-year fixed term and a coupon rate of 1.85%.

13 Comparative figures

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

14 Statement of financial position and Statement of changes in equity of the Bank

	31 December 2024	31 December 2023
ASSETS		
Cash and balances with central bank	282,062	387,434
Balances with banks and other financial institutions	92,461	100,127
Precious metals	31,136	28,285
Placements with banks and other financial institutions	212,078	201,606
Derivative financial assets	30,197	24,694
Financial assets held under resale agreements	73,035	25,845
Loans and advances to customers	4,379,490	4,310,985
Financial investments:	2,335,294	2,226,240
– Financial assets at fair value through profit or loss	324,569	289,565
– Financial assets measured at amortised cost	1,481,090	1,526,792
– Financial assets at fair value through other comprehensive income	529,635	409,883
Property and equipment	26,311	26,082
Right-of-use assets	11,705	12,221
Deferred income tax assets	55,166	51,815
Investment in subsidiaries	13,244	13,413
Other assets	28,834	29,386
Total assets	7,571,013	7,438,133

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

14 Statement of financial position and Statement of changes in equity of the Bank *(continued)*

	31 December 2024	31 December 2023
LIABILITIES		
Borrowings from central bank	260,767	326,137
Deposits and placements from banks and other financial institutions	1,074,378	1,260,132
Financial liabilities at fair value through profit or loss	9,564	2,320
Derivative financial liabilities	34,059	29,195
Financial assets sold under repurchase agreements	233,949	167,358
Deposits from customers	4,295,830	4,316,817
Lease liabilities	8,771	9,190
Provisions	1,729	1,787
Debt securities issued	932,894	670,391
Current income tax liabilities	4,220	992
Other liabilities	85,348	40,587
Total liabilities	6,941,509	6,824,906
EQUITY		
Share capital	43,782	43,782
Other equity instrument	95,000	95,000
Including: Preference shares	20,000	20,000
Perpetual bonds	75,000	75,000
Reserves		
Capital reserve	57,498	57,842
Surplus reserve	61,888	58,805
General reserve	95,009	91,290
Other reserves	6,665	1,699
Retained earnings	269,662	264,809
Total equity	629,504	613,227
Total liabilities and equity	7,571,013	7,438,133

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

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 2023	43,782	95,000	57,842	58,805	91,290	1,852	(136)	(17)	264,809	613,227
(I) Net profit	-	-	-	-	-	-	-	-	30,830	30,830
(II) Other comprehensive income, net of tax	-	-	-	-	-	4,955	3	5	-	4,963
Total comprehensive income	-	-	-	-	-	4,955	3	5	30,830	35,793
(III) Profit distribution										
1. Appropriation to surplus reserve	-	-	-	3,083	-	-	-	-	(3,083)	-
2. Appropriation to general reserve	-	-	-	-	3,719	-	-	-	(3,719)	-
3. Cash dividends	-	-	-	-	-	-	-	-	(16,032)	(16,032)
4. Interest on perpetual bond	-	-	-	-	-	-	-	-	(3,440)	(3,440)
(IV) Transfers within the owners' equity										
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	3	-	-	(3)	-
(V) Others										
1. Equity transaction with minority shareholders	-	-	(340)	-	-	-	-	-	300	(40)
2. Others	-	-	(4)	-	-	-	-	-	-	(4)
At 31 December 2024	43,782	95,000	57,498	61,888	95,009	6,810	(133)	(12)	269,662	629,504

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in millions of Renminbi, unless otherwise stated unless otherwise indicated)

14 Statement of financial position and Statement of changes in equity of the Bank (continued)

	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Reserves Investment revaluation reserve	Exchange Reserve	Cash flow hedging reserve	Retained earnings	Total
At 31 December 2022	43,782	95,000	57,842	55,276	86,911	(347)	(92)	1	251,107	589,480
(I) Net profit	-	-	-	-	-	-	-	-	35,291	35,291
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,203	(44)	(18)	-	2,141
Total comprehensive income	-	-	-	-	-	2,203	(44)	(18)	35,291	37,432
(III) Profit distribution										
1. Appropriation to surplus reserve	-	-	-	3,529	-	-	-	-	(3,529)	-
2. Appropriation to general reserve	-	-	-	-	4,379	-	-	-	(4,379)	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,245)	(10,245)
4. Interest on perpetual bond	-	-	-	-	-	-	-	-	(3,440)	(3,440)
(IV) Transfers within the owners' equity										
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	(4)	-	-	4	-
At 31 December 2023	43,782	95,000	57,842	58,805	91,290	1,852	(136)	(17)	264,809	613,227

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2024

1 Liquidity coverage ratio

	As at 31 December 2024	As at 31 December 2023
Liquidity coverage ratio (%) (RMB and foreign currency)	161.99	146.06
High Quality Liquid Assets	1,086,316	1,125,729
Net cash outflows in 30 days from the end of the reporting period	670,628	770,717

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the former CBIRC and based on the financial information prepared in accordance with PRC GAAP.

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

2 Currency concentration

	31 December 2024			
	USD	HKD	Others	Total
Spot assets	339,053	53,218	80,582	472,853
Spot liabilities	333,634	38,422	41,689	413,745
Forward purchases	1,654,499	31,152	87,091	1,772,742
Forward sales	(1,326,716)	(42,178)	(124,125)	(1,493,019)
Net long position (a)	1,000,470	80,614	85,237	1,166,321

	31 December 2023			
	USD	HKD	Others	Total
Spot assets	338,056	48,543	112,637	499,236
Spot liabilities	(297,245)	(42,175)	(24,002)	(363,422)
Forward purchases	1,137,604	5,724	73,280	1,216,608
Forward sales	(1,141,366)	(17,499)	(117,890)	(1,276,755)
Net long position (a)	37,049	(5,407)	44,025	75,667

(a) The net position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority

The Group has no structural position in the reporting periods.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2024

3 Loans and advances to customers

3.1 Impaired loans by geographical area

	31 December 2024		31 December 2023	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	17,204	15,409	16,273	15,012
Bohai Rim	28,479	12,591	21,695	10,577
Yangtze River Delta	12,411	4,748	16,247	6,484
Western Region	11,372	4,193	12,779	5,255
Pearl River Delta	6,838	2,473	8,062	3,751
Central Region	6,833	2,230	7,274	2,986
Northeastern Region	1,391	520	1,269	533
Overseas and subsidiaries	2,463	1,296	2,421	1,190
Total	86,991	43,460	86,020	45,788

3.2 Loans overdue for more than 3 months by geographical area

	31 December 2024		31 December 2023	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	17,084	14,950	16,141	15,000
Bohai Rim	13,487	5,777	10,993	3,835
Yangtze River Delta	10,850	3,679	8,685	3,522
Western Region	9,448	3,617	10,549	4,497
Pearl River Delta	5,962	2,138	5,608	2,978
Central Region	5,088	1,694	4,842	2,251
Northeastern Region	1,081	393	878	390
Overseas and subsidiaries	2,393	1,262	2,355	1,111
Total	65,393	33,510	60,051	33,584

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 237 to 433, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 4.17 and Note 4.18 to the consolidated financial statements. As at 31 December 2023, gross loans and advances to customers and accrued interest, as presented in the Group's consolidated statement of financial position, amounted to RMB4,420,701 million, for which the management recognized allowance for impairment losses of RMB97,444 million; total financial investments and accrued interest included for the purpose of expected credit loss measurement amounted to RMB1,953,334 million, for which the management recognized allowance for impairment losses of RMB12,386 million.	We obtained an understanding of the management's internal control and assessment process of ECL measurement 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 measurement 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;

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 <i>(continued)</i> 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 IFRS 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. We involved our credit risk experts in relevant assessment. The substantive procedures we performed 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 (<i>continued</i>)	
(2) Criteria for determining whether or not there is a significant increase in credit risk, or a default and impairment loss is incurred;	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 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.
(3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;	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.
(4) The estimation of future cash flows for corporate loans and financial investments in stage 3.	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.
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 allowance for impairment losses 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.	

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 <i>(continued)</i>	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 allowance for impairment losses. Based on the procedures performed, we considered that the models, key parameters, significant judgement and assumptions adopted in 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 2023, the carrying amount of unconsolidated structured entities invested by the Group amounted to RMB366,258 million. In addition, as at 31 December 2023, 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 RMB867,693 million and RMB107,869 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 (<i>continued</i>) 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.

INDEPENDENT AUDITOR'S REPORT

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 IFRS Accounting Standards 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.

INDEPENDENT AUDITOR'S REPORT

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 Ma Yui Man.



PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 March 2024

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December	
		2023	2022
Interest income		267,126	262,937
Interest expense		(164,695)	(155,474)
Net interest income	1	102,431	107,463
Fee and commission income		25,476	25,470
Fee and commission expense		(6,240)	(5,196)
Net fee and commission income	2	19,236	20,274
Net trading gain	3	4,748	4,690
Net gain from investment securities	4	8,529	4,357
Including: disposals of financial assets measured at amortised cost		1,795	2,202
Net other operating income	5	2,447	2,435
Operating expenses	6	(52,807)	(52,602)
Credit impairment losses	7	(45,707)	(48,762)
Other impairment losses	8	(1,519)	(685)
Profit before income tax		37,358	37,170
Income tax expense	10	(1,372)	(1,393)
Net profit		35,986	35,777
Net profit attributable to:			
Equity holders of the Bank		35,823	35,269
Non-controlling interests		163	508
Earnings per share (expressed in RMB Yuan)			
Basic and diluted earnings per share	11	0.72	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 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December	
		2023	2022
Net profit		35,986	35,777
Other comprehensive income of the year, net of tax	41	2,732	(846)
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		549	1,517
Items that may be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income			
Changes in fair value		2,043	(2,824)
Allowance for impairment losses		(48)	(521)
Effective hedging portion of gains or losses arising from cash flow hedging instruments		(18)	8
Exchange difference on translating foreign operations		206	974
Total comprehensive income of the year		38,718	34,931
Total comprehensive income attributable to:			
Equity holders of the Bank		38,365	34,143
Non-controlling interests		353	788

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2023	31 December 2022
ASSETS			
Cash and balances with central bank	12	390,367	338,552
Balances with banks and other financial institutions	13	129,678	88,705
Precious metals		28,285	25,167
Placements with banks and other financial institutions	14	172,778	182,434
Derivative financial assets	15	24,797	33,878
Financial assets held under resale agreements	16	35,773	3,010
Loans and advances to customers	17	4,323,908	4,072,982
Financial investments:	18		
– Financial assets at fair value through profit or loss		320,547	389,070
– Financial assets measured at amortised cost		1,531,024	1,363,589
– Financial assets at fair value through other comprehensive income		420,571	473,211
Long-term receivables	19	119,434	111,456
Property and equipment	20	60,490	58,896
Right-of-use assets	21(1)	13,279	13,146
Deferred income tax assets	22	54,592	55,701
Other assets	24	49,442	45,876
Total assets		7,674,965	7,255,673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2023	31 December 2022
LIABILITIES			
Borrowings from central bank		326,454	144,801
Deposits and placements from banks and other financial institutions	26	1,242,059	1,479,041
Financial liabilities at fair value through profit or loss	27	35,827	1,915
Borrowings from banks and other financial institutions	28	115,715	105,229
Derivative financial liabilities	15	29,276	32,675
Financial assets sold under repurchase agreements	29	191,133	104,140
Deposits from customers	30	4,353,281	4,051,592
Lease liabilities	21(2)	9,560	9,426
Provisions	31	1,787	2,456
Debt securities issued	32	675,826	648,107
Current income tax liabilities		1,392	5,040
Deferred income tax liabilities	22	214	236
Other liabilities	33	54,640	58,201
Total liabilities		7,037,164	6,642,859

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2023	31 December 2022
EQUITY			
Share capital	34	43,782	43,782
Other equity instrument		94,962	94,962
Including: Preference shares	35	19,975	19,975
Perpetual bonds	36	74,987	74,987
Reserves			
Capital reserve	34	58,149	58,149
Surplus reserve	38	58,805	55,276
General reserve	38	95,237	90,494
Other reserves	41	2,022	(612)
Retained earnings	38	271,645	257,877
Total equity attributable to equity holders of the Bank		624,602	599,928
Non-controlling interests	39	13,199	12,886
Total equity		637,801	612,814
Total liabilities and equity		7,674,965	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 28 March 2024.



Gao Yingxin
Chairman



Wang Xiaoyong
President (Acting)



Wen Qiuju
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
	Reserves											Total equity
	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	
Note 4	34	35&36	34	38	38	41	41	41	38		39	
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	-	-	-	-	-	-	-	-	35,823	35,823	163	35,986
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,494	66	(18)	-	2,542	190	2,732
Total comprehensive income	-	-	-	-	-	2,494	66	(18)	35,823	38,365	353	38,718
(III) Profit distribution												
1. Appropriation to surplus reserve	-	-	-	3,529	-	-	-	-	(3,529)	-	-	-
2. Appropriation to general reserve	-	-	-	-	4,743	-	-	-	(4,743)	-	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,245)	(10,245)	(37)	(10,282)
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(3,440)	(3,440)	-	(3,440)
(IV) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	92	-	-	(92)	-	-	-
(V) Others												
1. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(6)	(6)	(3)	(9)
At 31 December 2023	43,782	94,962	58,149	58,805	95,237	1,507	532	(17)	271,645	624,602	13,199	637,801

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

Note 4	Attributable to equity shareholders of the Bank											
	Reserves											Total equity
	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	
	34	35,836	34	38	38	41	41	41	38		39	
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 CASH FLOWS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2023	2022
Cash flows from operating activities:		
Profit before income tax	37,358	37,170
<i>Adjustments for:</i>		
– Credit impairment losses	45,707	48,762
– Other impairment losses	1,519	685
– Depreciation and amortisation	8,314	7,805
– Gains on disposal of property and equipment	(51)	(124)
– Losses from changes in fair value	2,726	8,089
– Net gains on disposal of investment securities	(9,061)	(9,707)
– Interest expense on debt securities issued	16,795	20,118
– Interest expense on lease liabilities	330	386
– Interest income from financial investments	(59,155)	(56,447)
Subtotal	44,482	56,737
<i>Changes in operating assets:</i>		
Net decrease in balances with central bank, banks and other financial institutions	10,022	829
Net decrease/(increase) in placements with banks and other financial institutions	15,731	(33,148)
Net increase in financial assets held under resale agreements	(32,747)	(1,649)
Net increase in loans and advances to customers	(283,409)	(144,656)
Net increase in financial assets held for trading purposes	(21,737)	(31,455)
Net increase in other operating assets	(24,680)	(16,380)
Subtotal	(336,820)	(226,459)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2023	2022
<i>Changes in operating liabilities:</i>		
Net increase/(decrease) in borrowings from central bank	180,427	(133,367)
Net increase in deposits from customers	289,476	217,766
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(237,078)	185,579
Net increase in financial assets sold under repurchase agreements	87,001	67,415
Income tax paid	(4,604)	(9,212)
Net increase in other operating liabilities	50,792	7,814
Subtotal	366,014	335,995
Net cash generated from operating activities	73,676	166,273

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	Year ended 31 December	
		2023	2022
Cash flows from investing activities:			
Proceeds from sale and redemption of investments and investment income		1,437,468	1,035,119
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		2,159	3,071
Cash payment for investments		(1,389,186)	(1,139,805)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		(8,677)	(10,712)
Net cash generated from investing activities		41,764	(112,327)
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		–	4,998
Proceeds from issue of debt securities		1,021,482	836,972
Repayment of debt securities issued		(992,773)	(910,525)
Subsidiaries shares repurchased		(9)	(93)
Dividends paid and interest paid on debt securities issued		(28,729)	(20,636)
Interest paid on perpetual bonds		(3,440)	(3,230)
Cash payment in other financing activities		(3,791)	(3,691)
Net cash generated from financing activities		(7,260)	(96,205)
Effect of exchange rate changes on cash and cash equivalents		851	7,146
Net increase/(decrease) in cash and cash equivalents		109,031	(35,113)
Cash and cash equivalents at 1 January		128,305	163,418
Cash and cash equivalents at 31 December	42	237,336	128,305

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 (the “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 “CBIRC”) (In 2023, the regulator was renamed as the National Financial Regulation Administration, The “NFRA”); and the business license as approved by the Beijing Administration for Industry and Commerce; the unified social credit code is No. 91110000100018988F.

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

In these consolidated financial statements for the year ended 31 December 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. Abroad of China refers to Hong Kong, Macau, Taiwan and other countries. Overseas refers to areas of other countries and regions, outside mainland China, Hong Kong, Macau, and Taiwan.

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 2023, the Bank had 42 tier-one branches and 33 subsidiaries.

2 Summary of material 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, as issued by the International Accounting Standards Board (“IFRS Accounting Standards”). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of material 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 IFRS Accounting Standards 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 2023 relevant to and adopted by the Group

In current period, the Group has adopted the following IFRS Accounting Standards 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
Amendments to IFRS 17	Insurance Contracts

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The IASB issued amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. The amendments provide guidance to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. The amendments add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of material accounting policies (*continued*)

2.2 Standards and amendments effective in 2023 relevant to and adopted by the Group (*continued*)

Amendments to IAS 8: Definition of Accounting Estimates

The IASB issued amendments to IAS 8: Definition of Accounting Estimates. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. It introduces a new definition of “accounting estimates”. The amendments are designed to clarify distinction between changes in accounting estimates and changes in accounting policies and correction of errors.

Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

The IASB issued amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

The IASB issued amendments to IAS 12: International Tax Reform – Pillar Two Model Rules. The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (“OECD”) international tax reform. The Group has adopted the relief for deferred taxes under the amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of material accounting policies (*continued*)

2.2 Standards and amendments effective in 2023 relevant to and adopted 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 adoption of the above amendments did not have material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of material 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 IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of material 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

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.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

Amendments to IAS 7 and IFRS 7: Supplier finance arrangements

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments clarify the characteristics of supplier finance arrangements (SFAs) and require additional disclosure of such arrangements. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.

Amendments to IAS 21: Lack of Exchangeability

Amendments to IAS 21 elaborated the definitions of exchangeable, that is when an entity is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, an entity needs to estimate the spot exchange rate to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of material 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 2023
(Expressed in millions of Renminbi, unless otherwise stated)

2 Summary of material 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.

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2 Summary of material 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.

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2 Summary of material 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 material 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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2 Summary of material 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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2 Summary of material 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.

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For the year ended 31 December 2023
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2 Summary of material 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 material 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.

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2 Summary of material 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 material 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.

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2 Summary of material accounting policies (*continued*)

2.10 Financial instruments (*continued*)

(4) Subsequent measurement of financial instruments (*continued*)

(a) Amortized cost (*continued*)

Effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period. Effective interest rate is that exactly discounts estimated future cash flows through the expected life of a financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating effective interest rate, the Group estimates the expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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. Credit-adjusted effective interest rate is that exactly discounts the estimated future cash flows through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset;
- 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 material 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 material 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).

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2 Summary of material 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 material 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 material 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.

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2 Summary of material 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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2 Summary of material 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 repurchase agreement, financial assets sold under resale agreements and securities lending

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.

Securities lending transactions are generally secured, with collateral taking the form of securities or cash. Securities lent to counterparties by the Group are recorded in the consolidated financial statements. Securities borrowed from counterparties by the Group are not recognised in the consolidated financial statements of the Group. Cash collateral received or advanced is recognised as a liability or an asset in the consolidated financial statements.

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 material 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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Summary of material 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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2 Summary of material 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 2023
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2 Summary of material 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 exercise a purchase option or an 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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2 Summary of material 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 2023
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2 Summary of material 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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2 Summary of material 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 Operating segments

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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2 Summary of material accounting policies (*continued*)

2.26 Preference shares and perpetual bonds

Preference shares issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Preference shares issued are non-derivative instruments that will be settled in the Group's own equity instruments, but includes no contractual obligation for the Group to deliver a variable number of its own equity instruments. The Group classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity.

Perpetual bonds issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Perpetual bonds issued include no terms and arrangements that the bonds must or will alternatively be settled in the Group's own equity instruments. The Group classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity.

2.27 Materiality

Financial Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group assesses whether the financial information is material depending on the nature and magnitude, or both, considering entity-specific situation. When considering the nature of the information, the Group considers whether the nature of such information is related to normal operating activity, whether it has significant impact on the Group's financial position, operating results, and cash flows. When considering the magnitude of the information, the Group considers the proportion of such information of total assets, total liabilities, total equity, total operating income, total operating expenses, profit after tax, total other comprehensive income, and respective financial statement line items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 Critical 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

For the year ended 31 December 2023
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3 Critical 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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3 Critical 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

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4 Notes to the consolidated financial statements

4.1 Net interest income

	Year ended 31 December	
	2023	2022
Interest income arising from:		
Loans and advances to customers	186,571	186,386
Including: Corporate loans and advances	94,860	87,091
Personal loans and advances	86,975	93,061
Discounted bills	4,736	6,234
Financial investments	59,155	56,447
Including: Financial assets measured at amortised cost	46,598	43,673
Financial assets at fair value through other comprehensive income	12,557	12,774
Long-term receivables	6,992	6,799
Placements with banks and other financial institutions	6,541	5,742
Balances with central bank	4,886	5,034
Financial assets held under resale agreements	1,620	1,970
Balances with banks and other financial institutions	1,361	559
Subtotal	267,126	262,937
Interest expense arising from:		
Deposits from customers	(98,301)	(93,254)
Deposits and placements from banks and other financial institutions	(36,623)	(30,208)
Debt securities issued	(16,795)	(20,118)
Borrowings from central bank	(5,195)	(6,651)
Borrowings from banks and other financial institutions and others	(4,486)	(3,391)
Financial assets sold under repurchase agreements	(2,965)	(1,466)
Lease liabilities	(330)	(386)
Subtotal	(164,695)	(155,474)
Net interest income	102,431	107,463
Of which:		
Interest income from impaired loans and advances to customers	1,517	1,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4.2 Net fee and commission income

	Year ended 31 December	
	2023	2022
Fee and commission income from		
Bank card services	11,029	10,909
Agency services	5,888	5,469
Custodian and other fiduciary services	4,855	5,960
Settlement services	1,968	1,619
Credit commitments	1,085	1,207
Others	651	306
Subtotal	25,476	25,470
Fee and commission expense	(6,240)	(5,196)
Net fee and commission income	19,236	20,274

4.3 Net trading gain

	Year ended 31 December	
	2023	2022
Net gains from interest rate products	3,284	1,193
Net (losses)/gains from foreign-exchange and foreign exchange products	(131)	2,228
Others	1,595	1,269
Total	4,748	4,690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4.4 Net gain from investment securities

	Year ended 31 December	
	2023	2022
Financial assets at fair value through profit or loss	4,452	(191)
Financial assets at fair value through other comprehensive income	1,942	2,346
Financial assets measured at amortised cost	1,795	2,202
Others	340	–
Total	8,529	4,357

4.5 Net other operating income

	Year ended 31 December	
	2023	2022
Operating leases income	4,043	4,436
Government subsidies	718	533
Operating leases costs	(2,593)	(2,505)
Others	279	(29)
Total	2,447	2,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the consolidated financial statements (continued)

4.6 Operating expenses

	Year ended 31 December	
	2023	2022
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	29,372	29,004
– Post-employment benefits-defined contribution plan	2,804	2,451
Depreciation and amortisation	6,346	5,896
Short-term lease expenses, low-value lease expenses and property management expenses	1,035	912
Tax and surcharges		
– Urban Maintenance Construction Tax	846	860
– Educational fee surcharge	382	386
– Other	745	627
Office expenses, business expenses and others	11,277	12,466
Total	52,807	52,602

4.7 Credit impairment losses

	Year ended 31 December	
	2023	2022
Loans and advances to customers	39,816	41,695
Financial assets measured at amortised cost	3,843	4,038
Financial assets at fair value through other comprehensive income	420	370
Long-term receivables	1,184	1,900
Other receivables	857	472
Others	(413)	287
Total	45,707	48,762

4.8 Other impairment losses

	Year ended 31 December	
	2023	2022
Foreclosed assets	1,090	571
Others	429	114
Total	1,519	685

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

4.9 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 2023 (in thousands of RMB)

	Basic salaries, allowances and other benefits	Year ended 31 December 2023		Total
		Contributions to pension schemes	Discretionary bonus	
Gao Yingxin ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	3,619	116	—	3,735
Zhang Hongwei	935	—	—	935
Lu Zhiqiang	933	—	—	933
Liu Yonghao	935	—	—	935
Zheng Wanchun ^(iv)	3,210	116	—	3,326
Shi Yuzhu	815	—	—	815
Wu Di	155	—	—	155
Song Chunfeng ⁽ⁱⁱⁱ⁾	—	—	—	—
Weng Zhenjie	885	—	—	885
Yang Xiaoling	735	—	—	735
Zhao Peng	855	—	—	855
Xie Zhichun ^(iv)	960	—	—	960
Peng Xuefeng ^(iv)	915	—	—	915
Qu Xinjiu	925	—	—	925
Wen Qiujun ^(iv)	355	—	—	355
Song Huanzheng ^(iv)	245	—	—	245
Yeung Chi Wai ^(iv)	143	—	—	143
Yuan Guijun ^(iv)	2,956	116	—	3,072
Zhang Juntong ^(iv)	2,954	116	—	3,070
Yang Yu ⁽ⁱ⁾⁽ⁱⁱ⁾	2,359	116	—	2,475
Lu Zhongnan	790	—	—	790
Li Yu	795	—	—	795
Wang Yugu ^(iv)	785	—	—	785
Zhao Fugao ⁽ⁱⁱⁱ⁾	—	—	—	—
Zhang Liqing	735	—	—	735
Gong Zhijian	1,977	116	—	2,093
Liu Jipeng ^(iv)	810	—	—	810
Li Hancheng ^(iv)	818	—	—	818
Liu Ningyu ^(iv)	770	—	—	770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.9 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 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 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 2023 financial statements.
- (iii) During the Reporting Period, Mr. Song Chunfeng has not received remuneration as a Director, and Mr. Zhao Fugao has not received remuneration as a Supervisor.
- (iv) On 9 June 2023, Ms. Wen Qiuju was elected as an Independent Non-Executive Director of the Bank, and her qualification was approved by the NFRA in August 2023. Mr. Liu Ningyu ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Song Huanzheng was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in August 2023. Mr. Li Hancheng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Yeung Chi Wai, Jason was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in October 2023. Mr. Liu Jipeng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Cheng Fengchao was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in February 2024. Mr. Peng Xuefeng ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

On 9 June 2023, Mr. Liu Hanxing was elected as an Independent Non-Executive Director of the Bank, and his qualification was approved by the NFRA in March 2024. Mr. Xie Zhichun ceased to serve as an Independent Non-Executive Director of the Bank due to the expiration of his term of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.9 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):

On 12 March 2024, Mr. Zheng Wanchun resigned from the positions of a Vice Chairman, an Executive Director and President of the Bank, as well as a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board due to retirement upon reaching the prescribed age.

On 12 March 2024, Mr. Yuan Guijun resigned from the positions of an Executive Director and an Executive Vice President of the Bank, as well as a member of the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board due to retirement upon reaching the prescribed age.

On 12 March 2024, Mr. Zhang Juntong resigned from the positions of Chairman of the Board of Supervisors and an Employee Supervisor of the Bank, as well as a member of the special committees of the Board of Supervisors due to work adjustment.

On 12 March 2024, Mr. Wang Yugui resigned from the positions of an External Supervisor of the Bank and a member of the special committees of the Board of Supervisors due to the expiration of his term of office for a cumulative of six years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.9 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 2022 (in thousands of RMB)

	Basic salaries, allowances and other benefits	Year ended 31 December 2022		Total
		Contributions to pension schemes	Discretionary bonus	
Gao Yingxin ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	3,781	110	2,263	6,154
Zhang Hongwei	980	—	—	980
Lu Zhiqiang	980	—	—	980
Liu Yonghao	980	—	—	980
Zheng Wanchun ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	3,355	110	2,073	5,538
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⁾⁽ⁱⁱⁱ⁾	3,090	110	1,733	4,933
Zhang Juntong ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	3,088	110	1,393	4,591
Yang Yu ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	2,441	110	899	3,450
Lu Zhongnan	765	—	—	765
Li Yu	765	—	—	765
Wang Yugui	760	—	—	760
Zhao Fugao ⁽ⁱⁱⁱ⁾	—	—	—	—
Zhang Liqing	710	—	—	710
Gong Zhijian	2,427	110	880	3,417
Zhao Linghuan ^(iv)	498	—	—	498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.9 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 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 2022. The relevant compensation amounts have been restated.
 - (iii) During the Reporting Period, Mr. Song Chunfeng has not received remuneration as a Director, and Mr. Zhao Fugao has not received 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 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.9 Directors and supervisors' emoluments (continued)

- (2) None of the five individuals with the highest emoluments for the year ended 31 December 2023 were directors or supervisors of the Bank (2022: 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	
	2023	2022
Basic salaries, allowances and benefits	8,972	2,617
Contributions to pension schemes	415	309
Discretionary bonus	22,006	40,303
Total	31,393	43,229

The number of the five highest paid individuals whose emoluments fell within the following bands is set out below:

	Year ended 31 December	
	2023	2022
From RMB5,000,001 to RMB7,000,000	4	–
From RMB7,000,001 to RMB9,000,000	1	4
Over RMB9,000,001	–	1

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.10 Income tax expense

	Year ended 31 December	
	2023	2022
Current income tax for the year	956	4,963
Deferred income tax (Note 4.22)	416	(3,570)
Total	1,372	1,393

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

	Year ended 31 December	
	2023	2022
Profit before income tax	37,358	37,170
Income tax at the tax rate of 25%	9,340	9,293
Effect of non-taxable income (a)	(10,095)	(9,445)
Effect of non-deductible expenses (b)	2,601	2,609
Effect of interest expense on perpetual debt	(860)	(808)
Settlement variance and others	386	(256)
Income tax expense	1,372	1,393

(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 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.10 Income tax expense (continued)

OECD Pillar Two model rules

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

The Group is within the scope of the Pillar Two rules. Since the Pillar Two legislation was not effective in the locations of the Group at 31 December 2023, the Group is not required to recognise the related current income tax for the year 2023. Meanwhile, the Group applies the exception of recognising and disclosing information about deferred tax assets and liabilities related to the Pillar Two income taxes, as provided in the amendments to IAS 12-Income Taxes issued in May 2023. The Group is currently analysing the potential impact of Pillar Two.

4.11 Earnings per share

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

The Bank issued non-cumulative preference shares and perpetual bonds in 2019, 2021 and 2022 respectively under the terms and conditions as detailed in Note 4.35 Preference Shares and Note 4.36 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 2023 and 31 December 2022, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation for the years ended 31 December 2023 and 2022.

	Year ended 31 December	
	2023	2022
Profit for the year attributable to equity holders of the Bank	35,823	35,269
Less: profit for the year attributable to other equity instrument holders of the Bank	(4,316)	(4,106)
Net profit attributable to ordinary equity holders of the Bank	31,507	31,163
Weighted average number of ordinary shares in issue (in millions)	43,782	43,782
Basic/Diluted earnings per share (in RMB Yuan)	0.72	0.71

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.12 Cash and balances with central bank

	31 December 2023	31 December 2022
Cash	7,002	6,983
Balances with central bank		
Mandatory reserve deposits	291,972	311,294
Surplus reserve deposits	90,705	19,301
Fiscal deposits and others	556	837
Subtotal	383,233	331,432
Interest accrued	132	137
Total	390,367	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 31 December 2023 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 7.0% (31 December 2022: 7.5%) and the reserve rate for foreign currency deposits is 4.0% (31 December 2022: 6.0%). 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 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.13 Balances with banks and other financial institutions

	31 December 2023	31 December 2022
China mainland		
– Banks	103,176	67,859
– Other financial institutions	5,136	4,936
Subtotal	108,312	72,795
Overseas		
– Banks	19,795	14,324
– Other financial institutions	1,452	1,508
Subtotal	21,247	15,832
Interest accrued	123	86
Less: allowance for impairment losses	(4)	(8)
Total	129,678	88,705

For the years ended 31 December 2023 and 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements *(continued)*

4.14 Placements with banks and other financial institutions

	31 December 2023	31 December 2022
China mainland		
– Banks	8,302	8,489
– Other financial institutions	142,298	162,399
Subtotal	150,600	170,888
Overseas		
– Banks	19,429	9,247
– Other financial institutions	3,866	3,806
Subtotal	23,295	13,053
Interest accrued	396	355
Less: allowance for impairment losses	(1,513)	(1,862)
Total	172,778	182,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements *(continued)*

4.14 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 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(585)	–	(1,277)	(1,862)
Net reversal/(charge)	48	–	(271)	(223)
Write-offs and transfer out	–	–	572	572
Balance as at 31 December 2023	(537)	–	(976)	(1,513)

	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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.15 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 2023		
	Notional amount	Fair value Assets	Liabilities
Foreign exchange derivatives	2,554,436	22,130	(22,011)
Interest rate derivatives	1,916,448	1,733	(676)
Precious metal derivatives	70,252	908	(6,585)
Others	1,352	26	(4)
Total		24,797	(29,276)

	31 December 2022		
	Notional amount	Fair value Assets	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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (*continued*)4.15 Derivatives (*continued*)

(2) Hedges

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

		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 years ended 31 December 2023 and 2022, the accumulative profits or losses recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments were insignificant.

(b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the years ended 31 December 2023 and 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 insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements *(continued)*

4.15 Derivatives *(continued)*

(3) Credit risk weighted amount

	31 December 2023	31 December 2022
Credit risk weighted amount for counterparty	16,361	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 former CBIRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract. The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

4.16 Financial assets held under resale agreements

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

	31 December 2023	31 December 2022
Bonds	35,325	2,549
Others	435	464
Subtotal	35,760	3,013
Interest accrued	39	25
Less: allowance for impairment losses	(26)	(28)
Total	35,773	3,010

For the years ended 31 December 2023 and 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.17 Loans and advances to customers

	31 December 2023	31 December 2022
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	2,337,357	2,144,501
Personal loans and advances		
– Micro lending (1)	651,788	621,598
– Residential mortgage	546,300	573,274
– Credit cards	487,973	462,788
– Others	81,461	84,208
Gross balance	1,767,522	1,741,868
Less: allowance for impairment losses	(96,793)	(97,639)
Subtotal	4,008,086	3,788,730
Measured at fair value through other comprehensive income:		
Corporate loans and advances		
– Corporate loans	2,419	8,717
– Discounted bills	277,579	246,058
Subtotal	279,998	254,775
Interest accrued	35,824	29,477
Total	4,323,908	4,072,982

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.17 Loans and advances to customers

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

	31 December 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Unsecured loans	1,249,400	28.50	1,130,796	27.31
Guaranteed loans	774,541	17.66	671,437	16.21
Loans secured by				
– Tangible assets other than monetary assets	1,757,179	40.07	1,750,267	42.27
– Monetary assets	603,757	13.77	588,644	14.21
Total	4,384,877	100.00	4,141,144	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.17 Loans and advances to customers (*continued*)

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

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

	31 December 2022				Total
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	
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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.17 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 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(23,379)	(33,602)	(40,658)	(97,639)
Transfer:				
to stage 1	(3,066)	2,597	469	–
to stage 2	554	(721)	167	–
to stage 3	429	8,901	(9,330)	–
Net charge	(556)	(2,574)	(36,619)	(39,749)
Write-offs and transfer out	–	–	48,161	48,161
Recoveries of amounts previously written off	–	–	(9,343)	(9,343)
Others	(15)	(23)	1,815	1,777
Balance as at 31 December 2023	(26,033)	(25,422)	(45,338)	(96,793)

	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)

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For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.17 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 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(361)	(10)	(858)	(1,229)
Net reversal/(charge)	162	8	(237)	(67)
Write-offs and transfer out	–	–	645	645
Balance as at 31 December 2023	(199)	(2)	(450)	(651)

	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 and transfer out	–	–	162	162
Recoveries of amounts previously written off	–	–	(80)	(80)
Balance as at 31 December 2022	(361)	(10)	(858)	(1,229)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Financial investments

		31 December 2023	31 December 2022
Financial assets at fair value through profit or loss	(1)	320,547	389,070
Financial assets measured at amortised cost	(2)	1,531,024	1,363,589
Financial assets at fair value through other comprehensive income	(3)	420,571	473,211
Total		2,272,142	2,225,870

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

		31 December 2023	31 December 2022
Held for trading purpose			
Debt securities			
Government		7,999	1,843
Policy banks		35,215	3,253
Banks and non-bank financial institutions		37,429	16,225
Corporates		50,859	78,685
Subtotal		131,502	100,006
Equity investments		1,931	1,695
Investment funds	(a)	—	8,835
Subtotal		133,433	110,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Financial investments (*continued*)

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

		31 December 2023	31 December 2022
Other financial assets at fair value through profit or loss			
Debt securities			
Corporates		3,207	3,062
Banks and non-bank financial institutions		11,382	9,573
Equity investments		17,706	19,732
Investment funds	(a)	131,557	226,617
Trust and asset management plans	(b)	17,185	14,185
Others		6,077	5,365
Subtotal		187,114	278,534
Total		320,547	389,070
Listed		142,246	103,000
– Of which: listed in Hong Kong		3,910	7,787
Unlisted		178,301	286,070
Total		320,547	389,070

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

- (a) As at 31 December 2023 and 31 December 2022, the underlying investment funds primarily include public bond funds and public money market funds.
- (b) As at 31 December 2023 and 31 December 2022, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (9)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Financial investments (*continued*)

(2) Financial assets measured at amortised cost

	31 December 2023	31 December 2022
Debt securities		
Government	1,123,735	987,915
Policy banks	102,354	74,922
Banking and non-banking financial institutions	56,251	30,472
Corporates	190,416	199,825
Subtotal	1,472,756	1,293,134
Trust and asset management plans (a)	34,670	49,789
Debt financing plans	9,935	11,398
Others	4,034	2,708
Interest accrued	19,839	17,852
Less: allowance for impairment losses	(10,210)	(11,292)
Total	1,531,024	1,363,589
Listed	1,460,835	1,284,826
– Of which: listed in Hong Kong	10,602	6,384
Unlisted	60,560	72,203
Interest accrued	19,839	17,852
Less: allowance for impairment losses	(10,210)	(11,292)
Total	1,531,024	1,363,589

(a) As at 31 December 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (*continued*)4.18 Financial investments (*continued*)(2) Financial assets measured at amortised cost (*continued*)

Movements in allowance for impairment losses

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(1,500)	(925)	(8,867)	(11,292)
Transfer				
to stage 3	15	485	(500)	–
Net (charge)/reversal	(569)	100	(3,374)	(3,843)
Write-offs and transfer out	–	–	3,981	3,981
Recoveries of amounts previously written off	–	–	(104)	(104)
Others	38	–	1,010	1,048
Balance as at 31 December 2023	(2,016)	(340)	(7,854)	(10,210)

	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
Recoveries of amounts previously written off	–	–	(700)	(700)
Others	(98)	–	(31)	(129)
Balance as at 31 December 2022	(1,500)	(925)	(8,867)	(11,292)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Financial investments (*continued*)

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

	31 December 2023	31 December 2022
Debt securities		
Government	138,080	142,060
Policy banks	5,757	27,957
Banks and non-bank financial institutions	141,893	163,628
Corporates	121,943	123,856
Subtotal	407,673	457,501
Equity investments	8,471	10,592
Interest accrued	4,427	5,118
Total	420,571	473,211
Listed	389,848	438,614
– Of which: listed in Hong Kong	28,183	49,013
Unlisted	26,296	29,479
Interest accrued	4,427	5,118
Total	420,571	473,211

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the year ended 31 December 2023, dividend income of RMB47 million (for the year ended 31 December 2022: RMB64 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 RMB92 million for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB129 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Financial investments (*continued*)

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

Fair value

	31 December 2023	31 December 2022
Debt securities		
Cost	414,890	469,061
Cumulative amount of change in fair value that is accrued to other comprehensive income	(2,790)	(6,442)
Fair value	412,100	462,619
Equity investment		
Cost	5,407	8,270
Cumulative amount of change in fair value that is accrued to other comprehensive income	3,064	2,322
Fair value	8,471	10,592
Total	420,571	473,211

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.18 Financial investments (*continued*)

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

Movements in allowance for impairment losses

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(749)	(14)	(1,058)	(1,821)
Transfer:				
to stage 2	2	(2)	–	–
Net reversal/(charge)	24	(50)	(394)	(420)
Write-offs and transfer out	–	–	119	119
Others	(54)	–	–	(54)
Balance as at 31 December 2023	(777)	(66)	(1,333)	(2,176)

	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 31 December 2023, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB885 million (31 December 2022: RMB1,139 million), with allowance for impairment losses of RMB1,333 million (31 December 2022: RMB1,058 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.19 Long-term receivables

	31 December 2023	31 December 2022
Finance lease receivables	27,634	28,092
Sales and leaseback receivables	110,698	101,933
Less: unearned finance lease income	(16,119)	(15,088)
Present value of minimum finance lease receivables	122,213	114,937
Less: allowance for impairment losses	(2,779)	(3,481)
Total	119,434	111,456

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

	31 December 2023	31 December 2022
Indefinite (a)	8,280	8,889
Less than 1 year	57,444	52,666
1 year to 2 years	37,680	35,586
2 years to 3 years	18,107	17,127
3 years to 5 years	9,604	9,089
More than 5 years	7,217	6,668
Total	138,332	130,025

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.19 Long-term receivables (*continued*)

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

	Year ended 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2023	(642)	(862)	(1,977)	(3,481)
Transfer:				
to stage 1	(19)	9	10	–
to stage 2	5	(7)	2	–
to stage 3	3	352	(355)	–
Net (charge)/reversal	(13)	72	(1,243)	(1,184)
Write-offs and transfer out	–	–	2,039	2,039
Recoveries of amounts previously written off	–	–	(112)	(112)
Others	(41)	–	–	(41)
Balance as at 31 December 2023	(707)	(436)	(1,636)	(2,779)

	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)

4.20 Property and equipment

	31 December 2023	31 December 2022
Property and equipment	60,484	58,889
Property and equipment to be disposed	6	7
Total	60,490	58,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (*continued*)4.20 Property and equipment (*continued*)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.20 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

As at 31 December 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 31 December 2023, there were still certain properties and buildings, with a carrying value of RMB341 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.21 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	3,766	33	–	3,799
Decrease	(3,254)	(9)	–	(3,263)
Balance as at 31 December 2023	19,158	95	4,646	23,899
Accumulated depreciation/ amortization				
Balance as at 1 January 2023	(8,799)	(25)	(1,393)	(10,217)
Increase	(2,896)	(11)	(118)	(3,025)
Decrease	2,614	8	–	2,622
Balance as at 31 December 2023	(9,081)	(28)	(1,511)	(10,620)
Carrying amount				
Balance as at 1 January 2023	9,847	46	3,253	13,146
Balance as at 31 December 2023	10,077	67	3,135	13,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.21 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

(2) Lease liabilities

	31 December 2023	31 December 2022
Lease liabilities	9,560	9,426

As at 31 December 2023, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB113 million (31 December 2022: RMB71 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.22 Deferred income tax assets and liabilities

(1) Deferred income tax items

	31 December 2023	31 December 2022
Deferred income tax assets	54,592	55,701
Deferred income tax liabilities	(214)	(236)
Total	54,378	55,465

(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 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	50,886	203,545	51,775	207,280
Employee benefits payable	3,488	13,952	3,502	14,009
Fair value losses of derivatives	7,244	28,975	8,168	32,674
Fair value losses of financial assets at fair value through other comprehensive loss	272	1,088	802	3,209
Financial assets at fair value through profit or loss	2,062	8,247	2,099	8,394
Lease liabilities	2,387	9,568	2,355	9,444
Others	1,069	4,284	363	1,477
Subtotal	67,408	269,659	69,064	276,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)4.22 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: (*continued*)

	31 December 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 liabilities				
Fair value gains of derivatives	(5,895)	(23,578)	(7,989)	(31,958)
Fair value gain of financial assets at fair value through other comprehensive income	(920)	(3,681)	(779)	(3,117)
Financial assets at fair value through profit or income	(3,508)	(14,112)	(2,156)	(8,866)
Right-of-use assets	(2,533)	(10,152)	(2,472)	(9,911)
Others	(174)	(640)	(203)	(815)
Subtotal	(13,030)	(52,163)	(13,599)	(54,667)
Deferred income tax assets, net	54,378	217,496	55,465	221,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.22 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	(889)	(961)	724	(1,126)	710
Recognised in other comprehensive income	–	(530)	–	(530)	(141)
Balance as at 31 December 2023	50,886	9,578	6,944	67,408	(13,030)
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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (continued)

4.23 Investment in subsidiaries

(1) Directly held subsidiaries

	31 December 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
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
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	52	52
Taichang Rural Bank Co., Ltd. ("Taichang 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")	45	13
Total	13,413	13,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the consolidated financial statements (continued)

4.23 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 61.57 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 52.4 million	51.00%	51.00%
Jiading Rural Bank		Shanghai China	Commercial bank	RMB 200 million	51.00%	51.00%

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For the year ended 31 December 2023
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4 Notes to the consolidated financial statements *(continued)*

4.23 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
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	(c) Anhui China	Commercial bank	RMB 41.6 million	51.00%	51.00%
Yuyang Rural Bank	(d) Shaanxi China	Commercial bank	RMB 59.4 million	51.00%	51.00%
Guichi Rural Bank	(e) Anhui China	Commercial bank	RMB 53 million	51.00%	51.00%
Tiantai Rural Bank	Zhejiang China	Commercial bank	RMB 60 million	51.00%	51.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.23 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
Tianchang Rural Bank	(f)	Anhui China	Commercial bank	RMB 43.68 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	(g)	Tibet China	Commercial bank	RMB 56.6 million	86.11%	86.11%

- (a) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are regarded as the Bank's subsidiaries and have been consolidated in these financial statements.
- (b) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.
- (c) Ningguo Rural Bank converted RMB1.60 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 2023, the registered capital of Ningguo Rural Bank was RMB41.60 million as it had completed the registration of changes with industry and commerce authorities.
- (d) Yuyang Rural Bank converted RMB5.40 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 2023, the registered capital of Yuyang Rural Bank was RMB59.40 million as it had completed the registration of changes with industry and commerce authorities.
- (e) Guichi Rural Bank converted RMB3 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 2023, the registered capital of Guichi Rural Bank was RMB53 million as it had completed the registration of changes with industry and commerce authorities.
- (f) Tianchang Rural Bank converted RMB3.68 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 2023, the registered capital of Tianchang Rural Bank was RMB43.68 million as it had completed the registration of changes with industry and commerce authorities.
- (g) In June 2023, Linzhi Rural Bank confirmed the capital injection from the Bank of 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 31 December 2023, the registered capital of Linzhi Rural Bank was RMB56.60 million as it had completed the registration of changes with industry and commerce authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (continued)

4.24 Other assets

		31 December 2023	31 December 2022
Interest receivable	(1)	7,499	7,274
Items in the process of clearance and settlement		6,653	6,401
Other debt receivables and advances		5,799	4,715
Prepayments for leased assets	(2)	5,472	5,263
Foreclosed assets	(3)	5,299	5,479
Fee and commission receivable		3,147	4,153
Investment properties		2,969	3,006
Prepayment		2,737	1,855
Intangible assets	(4)	2,730	2,301
Research and development engineering		2,328	1,247
Long-term deferred expenses		1,795	1,413
Legal costs receivable		1,243	1,277
Continuously involved assets		1,038	1,038
Assets transfer receivable		603	232
Goodwill	(5)	208	205
Operating lease receivable		169	168
Others		4,760	4,440
Subtotal		54,449	50,467
Less: allowance for impairment losses			
– Foreclosed assets		(752)	(959)
– Others		(4,255)	(3,632)
Total		49,442	45,876

(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 which would be finance leased out or operating leased out.

(3) Foreclosed assets include buildings, land use rights and transportation facilities. The Group disposed foreclosed assets of RMB2,339 million for the year ended 31 December 2023 (For the year ended 31 December 2022: RMB1,426 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (*continued*)4.24 Other assets (*continued*)

(4) Intangible assets

	Year ended 31 December 2023	Year ended 31 December 2022
Cost		
Balance as at 1 January	7,790	6,659
Increase	1,338	1,131
Decrease	(14)	–
Balance as at 31 December	9,114	7,790
Accumulated amortization		
Balance as at 1 January	(5,489)	(4,742)
Increase	(908)	(747)
Decrease	13	–
Balance as at 31 December	(6,384)	(5,489)
Carrying amount		
Balance as at 1 January	2,301	1,917
Balance as at 31 December	2,730	2,301

(5) Goodwill arising from CMBC International

	Year ended 31 December 2023	Year ended 31 December 2022
Balance as at 1 January	205	188
Exchange difference	3	17
Balance as at 31 December	208	205

As at 31 December 2023 and 31 December 2022, no impairment loss of the Group's goodwill is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.25 Allowances for impairment losses

		Year ended 31 December 2023			
	Note 4	Balances as at 1 January 2023	Net (reversal)/ charge for the year	Write-offs and transfer out	Balances as at 31 December 2023
Balances with banks and other financial institutions	13	8	(6)	–	2
Placements with banks and other financial institutions	14	1,862	223	(572)	–
Financial assets held under resale agreements	16	28	(2)	–	–
Loans and advances to customers	17	98,868	39,816	(48,806)	7,566
Financial investments	18	13,113	4,263	(4,100)	(890)
Long-term receivables	19	3,481	1,184	(2,039)	153
Property and equipment	20	664	383	–	(111)
Other assets	24	4,591	1,997	(1,583)	2
Total		122,615	47,858	(57,100)	6,722
					120,095

		Year ended 31 December 2022			
	Note 4	Balances as at 1 January 2022	Net charge for the year	Write-offs and transfer out	Balances as at 31 December 2022
Balances with banks and other financial institutions	13	8	1	–	(1)
Placements with banks and other financial institutions	14	1,589	271	–	2
Financial assets held under resale agreements	16	20	8	–	–
Loans and advances to customers	17	105,108	41,695	(53,919)	5,984
Financial investments	18	17,199	4,408	(9,362)	868
Long-term receivables	19	4,163	1,900	(2,652)	70
Property and equipment	20	503	114	–	47
Other assets	24	4,064	1,043	(553)	37
Total		132,654	49,440	(66,486)	7,007
					122,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.26 Deposits and placements from banks and other financial institutions

	31 December 2023	31 December 2022
China mainland		
Banks	108,030	196,106
Other financial institutions	1,044,337	1,200,610
Overseas		
Banks	55,831	38,617
Other financial institutions	27,384	37,327
Subtotal	1,235,582	1,472,660
Interest accrued	6,477	6,381
Total	1,242,059	1,479,041

4.27 Financial liabilities at fair value through profit or loss

	31 December 2023	31 December 2022
Financial liabilities related to precious metals	2,320	1,645
Financial liabilities designated at fair value through profit or loss (1)	33,475	–
Others	32	270
Total	35,827	1,915

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.28 Borrowings from banks and other financial institutions

	31 December 2023	31 December 2022
Unsecured borrowings	100,224	88,333
Borrowings secured by – Tangible assets and monetary assets	14,722	16,323
Subtotal	114,946	104,656
Interest accrued	769	573
Total	115,715	105,229

As at 31 December 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)).

4.29 Financial assets sold under repurchase agreements

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

	31 December 2023	31 December 2022
Bonds	132,510	55,617
Bills rediscounted	58,271	48,163
Subtotal	190,781	103,780
Interest accrued	352	360
Total	191,133	104,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.30 Deposits from customers

	31 December 2023	31 December 2022
Demand deposits		
– Corporate customers	1,024,828	1,014,133
– Personal customers	295,892	289,671
Time deposits (including call deposits)		
– Corporate customers	2,044,103	1,952,242
– Personal customers	910,695	730,873
Certificates of deposit	4,976	4,159
Outward remittance and remittance payables	2,509	2,449
Subtotal	4,283,003	3,993,527
Interest accrued	70,278	58,065
Total	4,353,281	4,051,592

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

	31 December 2023	31 December 2022
Pledged deposits for bank acceptances	209,868	184,557
Pledged deposits for letters of credit and guarantees	24,313	16,429
Other pledged deposits	33,553	49,234
Total	267,734	250,220

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

4 Notes to the consolidated financial statements (continued)

4.31 Provisions

		31 December 2023	31 December 2022
Credit loss of off-balance sheet credit commitments	(1)	1,212	1,844
Litigation provision		459	517
Others		116	95
Total		1,787	2,456

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

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

	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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.32 Debt securities issued

		31 December 2023	31 December 2022
Certificates of interbank deposit		474,754	446,888
Financial bonds	(1)	105,577	99,992
Tier-two capital bonds	(2)	89,992	89,991
Medium-term and short-term notes	(3)	1,996	7,658
Subtotal		672,319	644,529
Interest accrued		3,507	3,578
Total		675,826	648,107

For the years ended 31 December 2023 and 2022, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

(1) Financial bonds

		31 December 2023	31 December 2022
2023-3-year fixed rate financial bonds	(a)	19,997	–
2023-3-year fixed rate financial bonds	(b)	1,596	–
2023-3-year fixed rate financial bonds	(c)	1,595	–
2023-3-year fixed rate financial bonds	(d)	2,393	–
2022-3-year fixed rate financial bonds	(e)	19,999	19,998
2021-3-year fixed rate financial bonds	(f)	29,998	29,997
2021-3-year fixed rate financial bonds	(g)	29,999	29,997
2020-3-year fixed rate financial bonds	(h)	–	20,000
Total		105,577	99,992

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.32 Debt securities issued (*continued*)

(1) Financial bonds (*continued*)

- (a) RMB20 billion worth of fixed-rate financial bonds were issued on 18 May 2023, with a term of 3 years, and a fixed coupon rate of 2.68% per annum.
- (b) RMB2 billion worth of fixed-rate financial bonds were issued on 20 March 2023, with a term of 3 years, and a fixed coupon rate of 3.40% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB400 million.
- (c) RMB2 billion worth of fixed-rate financial bonds were issued on 25 May 2023, with a term of 3 years, and a fixed coupon rate of 3.27% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB400 million.
- (d) RMB3 billion worth of fixed-rate financial bonds were issued on 25 July 2023, with a term of 3 years, and a fixed coupon rate of 3.19% per annum. This bond is issued by Minsheng Financial Leasing Co., Ltd. The Bank subscribed RMB600 million.
- (e) RMB20 billion worth of fixed-rate financial bonds were issued on 7 April 2022, with a term of 3 years, and a fixed coupon rate of 2.95% per annum.
- (f) RMB30 billion worth of fixed-rate financial bonds were issued on 8 December 2021, with a term of 3 years, and a fixed coupon rate of 3.02% per annum.
- (g) RMB30 billion worth of fixed-rate financial bonds were issued on 10 November 2021, with a term of 3 years, and a fixed coupon rate of 3.02% per annum.
- (h) RMB20 billion worth of fixed-rate financial bonds were issued on 18 March 2020, with a term of 3 years, and a fixed coupon rate of 2.75% per annum. The Bank repaid all of them on 20 March 2023.

(2) Tier-two capital bonds

		31 December 2023	31 December 2022
2020-10-year fixed rate tier-two capital bonds	(a)	49,996	49,996
2019 1st tranche-10-year fixed rate tier-two capital bonds	(b)	39,996	39,995
Total		89,992	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 bonds at par value during the period from the last day of the fifth year to the maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)4.32 Debt securities issued (*continued*)

(3) Medium-term and short-term notes

		31 December 2023	31 December 2022
2023-2-year medium-term notes	(a)	1,996	–
2020-3-year medium-term notes	(b)	–	3,480
2018-5-year medium-term notes	(c)	–	4,178
Total		1,996	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 USD500 million of medium-term notes were issued on 22 October 2020, with a term of 3 years, floating interest rate. The Bank repaid all of them on 22 October 2023.
- (c) Medium-term notes with a nominal value of USD600 million 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.

4.33 Other liabilities

		31 December 2023	31 December 2022
Items in the process of clearance and settlement		15,380	16,134
Employee benefits payable	(1)	14,439	14,414
Lease payments received in advance		7,918	7,225
Other tax payable	(2)	3,774	4,679
Output value added tax to be transferred		2,740	4,039
Notes payable		2,138	2,211
Accrued expenses		1,693	942
Payable to the leasing company		1,378	1,334
Continuously involved liabilities		1,038	1,038
Payable for long-term assets		328	231
Deferred fee and commission income		317	251
Intermediate collection and payment		281	495
Others		3,216	5,208
Total		54,640	58,201

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.33 Other liabilities (*continued*)

(1) Employee benefits payable

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.33 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	24,691	(23,320)	13,766
– Staff welfare fees	–	1,403	(1,403)	–
– Social insurance (a) and supplementary insurance	160	1,077	(1,061)	176
– Housing fund	98	1,520	(1,489)	129
– Labour union fee, staff and workers' education fee	40	553	(552)	41
Subtotal	12,693	29,244	(27,825)	14,112
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	124	1,764	(1,729)	159
– Unemployment insurance	19	59	(57)	21
– Annuity scheme (b)	71	650	(599)	122
Subtotal	214	2,473	(2,385)	302
Total	12,907	31,717	(30,210)	14,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.33 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 2023, the contributions to the annuity schemes of the Bank and some subsidiaries were calculated at 3% of the employees' total annual salary (For the year ended 31 December 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.

(2) Other tax payable

	31 December 2023	31 December 2022
Value added tax	2,706	2,967
Others	1,068	1,072
Total	3,774	4,039

4.34 Share capital and capital reserve

	31 December 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 31 December 2023 and 31 December 2022, mainly represents capital premium.

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

4.35 Preference Shares

(1) Outstanding Preference Shares at year end

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

(b) Conditions to distribution of dividends

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.35 Preference Shares (*continued*)

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

(c) Dividend stopper

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

(d) Order of distribution and liquidation method

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

(e) Mandatory conversion trigger events

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

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

(f) Redemption

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

The Bank has the right to redeem all or part of the domestic Preferred Shares on the preferred stock dividend date of each year, starting from the date of expiration of 5 years after the issue date (i.e., 15 October 2019), and the redemption period shall expire on the date of conversion or redemption in full. In the case of partial redemption, all domestic preferred shares issued will be redeemed on the same terms and in proportion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (continued)

4.35 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 ordinary shareholders.

The dividend of the Domestic Preference Shares shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(3) Changes in preference shares outstanding

	1 January 2023		Movements		31 December 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.36 Perpetual Bonds

(1) Outstanding Perpetual Bonds at year end

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	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			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.36 Perpetual Bonds (*continued*)

(2) Main Clauses

(a) Principal Amount

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds-Series 1 RMB30 billion.

2022 Undated Tier 1 Capital Bonds-Series 1 RMB5 billion.

(b) Maturity Date

The Bonds will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Bonds will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Bonds will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on ChinaBond.com.cn or other websites approved by the China Central Depository & Clearing Co., Ltd. The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Bonds Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not part of the Bonds.

(e) Subordination

The claims in respect of the Bonds, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Tier 1 Capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

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

4.36 Perpetual Bonds *(continued)*

(2) Main Clauses *(continued)*

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Bondholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Bonds, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Bonds do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option of investors is not applicable.

4.37 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the former CBIRC, the preferred shares and perpetual bonds issued by the Bank have met the criteria of qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	31 December 2023	31 December 2022
Total equity attributable to equity holders of the Bank	624,602	599,928
Equity attributable to ordinary equity holders of the Bank	529,640	504,966
Equity attributable to other equity holders of the Bank	94,962	94,962
Total equity attributable to non-controlling interests	13,199	12,886
Equity attributable to non-controlling interests of ordinary shares	13,199	12,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.38 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, the Bank will still appropriate 10% of its net profit as statutory surplus reserve. 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 RMB3,529 million statutory surplus reserve for the year ended 31 December 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, which were included in the Group's general reserve.

The Group appropriated RMB4,743 million of profits to the general reserve for the year ended 31 December 2023 (for the year ended 31 December 2022: RMB3,481 million).

(3) Retained earnings

As at 31 December 2023, the retained earnings included the statutory surplus reserve of RMB993 million contributed by the subsidiaries (31 December 2022: RMB848 million). The surplus reserve of the subsidiaries included in the retained earnings cannot be distributed.

4.39 Non-controlling interests

As at 31 December 2023, the non-controlling interests in the subsidiaries were RMB13,199 million (31 December 2022: RMB12,886 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.40 Dividends/Interests

(1) Dividends for Ordinary Shares

The Board of directors proposed the profit distribution plan for year 2023 in the meeting held on 28 March 2024. 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 RMB2.16 (including tax) for every 10 shares. A total dividend of RMB9,457 million (including tax) was based on the total number of shares of 43,782 million as on 31 December 2023. 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 2022 at the Annual General Meeting on 9 June 2023. The cash dividends declared was RMB2.14 (tax inclusive) for every 10 shares. A total dividend of RMB9,369 million (tax inclusive) was based on total number of shares of 43,782 million as at the record dates.

(2) Dividends for Preference Shares

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 30 August 2023, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax) before the first reset date pursuant to the terms and conditions of domestic preference shares. The dividend payment date was 18 October 2023.

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 26 August 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (continued)

4.40 Dividends/Interests (continued)

(3) Interests for Perpetual Bonds (continued)

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.

4.41 Other reserves

	Year ended 31 December	
	2023	2022
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	691	2,176
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	4,173	(1,368)
Allowance for impairment losses	(182)	(881)
Amount transferred to profit or loss from other comprehensive income (a)	(1,423)	(1,995)
Less: Tax effect	(715)	240
Subtotal	2,544	(1,828)
Effective hedging portion of gains or losses arising from cash flow hedging instruments	(24)	10
Less: Tax effect	6	(2)
Subtotal	(18)	8
Exchange difference on translating foreign operations	206	974
Total	2,732	(846)

(a) It refers to the amount transferred to profit or loss due to disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.41 Other reserves (*continued*)

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Attributable to equity shareholders of the Bank			
	Investment revaluation reserve	Cash flow hedging reserve	Exchange reserve	Total
1 January 2023	(1,079)	1	466	(612)
Movement during the year	2,586	(18)	66	2,634
31 December 2023	1,507	(17)	532	2,022
1 January 2022	573	(7)	(181)	385
Movement during the year	(1,652)	8	647	(997)
31 December 2022	(1,079)	1	466	(612)

4.42 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 2023	31 December 2022
Cash (Note 4.12)	7,002	6,983
Surplus deposit reserves with central bank (Note 4.12)	90,705	19,301
Balances with banks and other financial institutions		
– demand deposits	109,925	80,922
Original maturity within 3 months:		
– Balances with banks and other financial institutions	4,347	1,999
– Placements with banks and other financial institutions	25,357	19,100
Total	237,336	128,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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4 Notes to the consolidated financial statements (*continued*)

4.43 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 2023, the Group transferred loans through securitisation transactions with gross balance of RMB10,524 million (For the year ended 31 December 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 year ended 31 December 2023, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB28,982 million (For the year ended 31 December 2022: RMB26,533 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 2023, the carrying amount of debt securities lent to counterparties was RMB45,483 million (31 December 2022: RMB10,070 million).

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 deposits and loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.
(c) Others	Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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5 Segment information (continued)

5.1 Business segments (continued)

	Year ended 31 December 2023			
	Corporate banking	Retail banking	Others	Total
Operating income	68,348	62,316	6,727	137,391
Net interest income	51,813	50,737	(119)	102,431
Include: inter-segment net interest income/(expense)	18,037	(11,204)	(6,833)	–
Net fee and commission income	6,091	11,318	1,827	19,236
Net other income	10,444	261	5,019	15,724
Operating expenses	(13,396)	(21,687)	(17,724)	(52,807)
Credit impairment losses	(27,517)	(15,952)	(2,238)	(45,707)
Other impairment losses	(971)	(9)	(539)	(1,519)
Profit before income tax	26,464	24,668	(13,774)	37,358
Depreciation and amortisation	3,080	2,809	2,425	8,314
Capital expenditure	2,550	2,325	9,079	13,954

	As at 31 December 2023			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,746,660	1,869,630	1,004,083	7,620,373
Include: Investments in associates				–
Deferred income tax assets				54,592
Total assets				7,674,965
Segment liabilities	(4,712,506)	(1,355,082)	(969,362)	(7,036,950)
Deferred income tax liabilities				(214)
Total liabilities				(7,037,164)
Credit commitments	734,613	545,007	–	1,279,620

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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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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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For the year ended 31 December 2023
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5 Segment information (continued)

5.2 Geographical segments (continued)

	Year ended 31 December 2023		As at 31 December 2023
	Operating income	Profit before income tax	Segment assets (1)
Head Office	45,538	8,610	3,369,881
Yangtze River Delta	23,333	7,521	1,260,635
Pearl River Delta	15,502	4,607	758,206
Bohai Rim	15,953	3,832	1,490,154
Northeastern Region	1,689	(2,362)	154,292
Central Region	11,650	6,240	563,519
Western Region	14,233	5,703	667,749
Overseas and subsidiaries	9,493	3,207	397,135
Inter-segment elimination	—	—	(1,041,198)
Total	137,391	37,358	7,620,373

	Year ended 31 December 2022		As at 31 December 2022
	Operating income	Profit before income tax	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

(1) Segment assets do not include deferred tax assets.

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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 2023	31 December 2022
Bank acceptances	476,334	495,920
Guarantees	130,996	134,395
Letters of credit	107,030	82,175
Unused credit card commitments	514,685	489,137
Irrevocable credit commitments		
– original maturity date within 1 year	33,943	40,938
– original maturity date over 1 year	16,632	21,323
Total	1,279,620	1,263,888

Details of credit loss of off-balance-sheet credit commitments (Note 4.31).

	31 December 2023	31 December 2022
Credit risk weighted amounts of credit commitments	368,187	359,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6 Contingent liabilities and commitments (*continued*)

6.2 Capital commitments

	31 December 2023	31 December 2022
Contracted but not paid for	13,339	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:

	31 December 2023	31 December 2022
Balances with banks and other financial institutions	5,224	3,394
Loans and advances to customers	2,062	195,237
Discounted bills	58,685	48,539
Financial investments	339,352	61,244
Long-term receivables	10,998	15,701
Property and equipment	8,701	6,439
Total	425,022	330,554

As at 31 December 2023, except for assets pledged mentioned above, the amount of RMB1,384 million of the Group's Balances with banks and other financial institutions was mainly used as special funds for a subsidiary's business (31 December 2022: RMB1,232 million).

(2) Collateral received

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 31 December 2023, the Group had no collateral that was sold or lent to counterparties, but obligated to return (31 December 2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6 Contingent liabilities and commitments (*continued*)

6.4 Underwriting of securities

As at 31 December 2023, there was no unexpired underwriting commitment for the Group (31 December 2022: 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 2023 was RMB2,524 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 31 December 2023 and 31 December 2022. The Group makes provisions for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 4.31).

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7 Interests in structured entities

7.1 Consolidated structured entities

As at 31 December 2023, the consolidated structured entities amounted to RMB80,977 million (31 December 2022: insignificant).

7.2 Unconsolidated structured entities

(1) Invested structured entities in which the Group holds an interest

Unconsolidated invested structured entities include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the consolidated statement of financial position in which assets are recognised relating to the Group's interests in invested structured entities:

	31 December 2023			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	1,756	158,140	21,860	181,756
Funds	131,557	–	–	131,557
Trust and asset management plans	17,185	30,482	–	47,667
Others	5,278	–	–	5,278
Total	155,776	188,622	21,860	366,258

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7 Interests in structured entities (continued)

7.2 Unconsolidated structured entities (continued)

(1) Invested structured entities in which the Group holds an interest (continued)

	31 December 2022			Total
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	
Asset-backed securities	1,448	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

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the consolidated statement of financial positions.

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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.

As at 31 December 2023, the balance of wealth management products sponsored and managed but not consolidated by the Group is RMB867,693 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 RMB107,869 million (31 December 2022: RMB161,998 million).

For the year ended 31 December 2023, the amount of fee and commission income received from the above-mentioned structured entities by the Group is RMB3,141 million (For the year ended 31 December 2022: RMB4,756 million). As at 31 December 2023 and 31 December 2022, the carrying amounts of commission receivable being recognised are not material in the consolidated statement of financial positions.

8 Entrusted lending business

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

	31 December 2023	31 December 2022
Entrusted loans	275,968	275,934
Entrusted funds	275,968	275,934

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For the year ended 31 December 2023
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9 Related parties

9.1 Related parties

- (1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be a natural person, corporate or unincorporated organization.

Related parties of the Group mainly include corporates or unincorporated organizations that hold or control more than 5% of the Bank's equity interests, and corporates or unincorporated organizations that hold less than 5% of the Bank's equity interests but have significant influence on the Bank, and the controlling shareholders, actual controllers, persons acting in concert, and ultimate beneficiaries of these entities as well as corporates or unincorporated organizations under the control of these entities; the directors and supervisors of the Bank, senior executives of the head office and key branches of the Bank, personnel with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers (hereinafter referred to as "insiders of the Bank"), their close family members, and the corporates or unincorporated organizations controlled by the aforementioned persons; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; corporates or unincorporated organizations under control or significant influence of the Bank; and natural persons, corporates or unincorporated organizations identified by the Bank as being related on a substance over form basis and/or see-through basis.

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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 2023		31 December 2022		Business (a)	Legal form	Legal representative
		No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)	No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)			
Dajia Life Insurance Inc.	Beijing	7,810,214,889	17.84	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
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	401,457,117	0.92	604,300,950	1.38	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)	
Long Prosper Capital Company Limited	British Virgin Islands	6,676,000	0.02	138,442,500	0.32	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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For the year ended 31 December 2023
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9 Related parties (continued)

9.1 Related parties (continued)

(2) The Bank's major shareholders (continued)

Company name	Registered location	31 December 2023		31 December 2022		Business (a)	Legal form	Legal representative
		No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)	No. of Shares of the Bank held by the Company (share)	Proportion of shares of the Bank held by the Company (%)			
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	133,200,000	0.30	268,340,026	0.61	Wholesaling	Limited company	Wu Di
Tibet Hengxun Corporate Management Co., Ltd.	Tibet	80,500,000	0.18	93,762,400	0.21	Commercial service	Limited company	Chen Jianjun
Tibet Fujin Enterprise Management Co., Ltd.	Tibet	52,900,000	0.12	187,802,400	0.43	Commercial service	Limited company	Chen Jianjun

(a) Particulars of principal operations:

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former CBIRC.

China Oceanwide Holdings Group Co., Ltd.: finance; real estate and investment management, etc.

Oceanwide International Equity Investment Limited: investment holdings, etc.

China Oceanwide International Investment Co, Ltd.: investment holdings, etc.

Long Prosper Capital Company Limited: investment holdings, etc.

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For the year ended 31 December 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*):

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale non-physical means 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.: engage in investment activities with its own funds (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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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 former China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Orient Group Incorporation: permitted item: food production (branch operation); grain processed food production (branch operation); bean products manufacturing (branch operation); crop seed management (branch operation); job intermediary activities. general items: grain purchase; import and export of goods; technology import and export; foreign contracted projects; estate management; sales of light building materials; sales of building materials; sales of construction machinery; furniture sales; wholesale of hardware products; sanitary ware sales; sales of metal materials; research and development of new material technology; grain sales; grain planting (branch operation); enterprise headquarters management; primary processing of edible agricultural products (branch operation).

Oriental Group Co., Ltd.: engage in investment activities with its own funds; information system integration services; domestic trade agency; import and export agency; technology import and export; realty management; coal sales; wholesale of hardware products.

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For the year ended 31 December 2023
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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 Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials.

Tibet Fuju Enterprise Management Co., Ltd. (Formerly known as Tibet Fu Ju Investment Co., Ltd.): management; business management consulting; corporate image planning; marketing planning; conference and exhibition services; Market research (excluding foreign-related research).

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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 legal representative of China Oceanwide Holdings Group Co., Ltd.

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	31 December 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
China Oceanwide International Investment Company Limited	HKD 1,548 million	HKD 1,548 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 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 Heng Xun Corporate Management Co., Ltd.	RMB 10 million	RMB 10 million
Tibet Fujin Enterprise Management Co., Ltd.	RMB 300 million	RMB 300 million

- (3) The detailed information of the Bank's subsidiaries is set out in Note 4.23.

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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 Languang Hejun Small Station Culture and Tourism Entertainment Development Co., Ltd.	Related party of CMBC INTERNATIONAL HOLDINGS LIMITED
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Chongqing Gengyu Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	Related party of Dajia Life Insurance Inc.
Sichuan Dazhou Steel Group Co., Ltd.	Related party with equity interests held by the Bank
Beijing Xingtai Tonggang Real Estate Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Yunnan Textile Corporation	Related party of Tongfang Guoxin Investment Co., Ltd.
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.
Shenyang New Hope Jinyu Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Xiamen Hongfu Co., Ltd.	Related party of Good First Group Co., Ltd.
Tianjin Yuanchuan Investment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
New Hope Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Tianjin Boda Warehousing Service Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Tianjin Yuanxi Real Estate Development Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
QUAM PLUS INTERNATIONAL FINANCIAL LIMITED (a)	Related party of China Oceanwide Holdings Group Co., Ltd.
SINO-OCEAN GROUP HOLDING LIMITED	Related party of the Bank's insiders
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.

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9 Related parties (continued)

9.1 Related parties (continued)

(4) Relationship with related parties

Company name	Relationship with the Bank
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Dalian Jianhua Sludge Treatment Co., Ltd.	Related party of SINO-OCEAN GROUP HOLDING LIMITED
Sichuan Hope Hydropower Development Co., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Hope Deepblue Air Conditioning Manufacture Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Hope Senlan Science and Technology Holding Corp., Ltd.	Related party of Continental Hope Group Corp., Ltd.
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Shanghai Zhaojiu Technology Co., Ltd.	Related party of the Bank's insiders
Beijing ENRELY Technology Co., Ltd.	Related party of the Bank's insiders
Jiangsu Zhijun Power Equipment Co., Ltd.	Related party of the Bank's insiders
Quanzhou Fengze District best art auto parts shop	Related party of the Bank's insiders
Beijing Changrong Heyin Investment Management Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Sichuan Special Drive Education Management Co., Ltd.	Related party of Chengdu Huaxi Hope Group Co., Ltd.
Sichuan Hope Education Industry Group Co., Ltd.	Related party of Chengdu Huaxi Hope Group Co., Ltd.
New Hope Dairy Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Rihou Steel Tube Leasing Co., Ltd.	Related party of the Bank's insiders
Sanya Minsheng Tourism Co., Ltd.	Related party of Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Minsheng Real Estate Co., Ltd.	Companies funded by the Labour Union Committee of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Companies funded by the Labour Union Committee of Beijing branch of the Bank
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.

(a) As at 30 June 2023, CHINA TONGHAI DCM LIMITED was renamed as QUAM PLUS INTERNATIONAL FINANCIAL LIMITED.

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For the year ended 31 December 2023
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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 limits and asset transfers, and their close family members; the directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries; and natural persons identified by the Bank as being related on a substance over form basis and/or look-through basis. As at 31 December 2023, the Bank has 13,106 related natural persons, including 205 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, 12,355 who were senior executives of key branches of the Bank or people with the power to approve or make decisions in connection with core businesses, such as large credit limits and asset transfers, and their close family members, 181 who were directors, supervisors and senior executives of the legal or unincorporated organizations holding or controlling more than 5% of the Bank's equity interests, as well as those holding less than 5% of the Bank's equity interests but having significant influence on the Bank, and also their controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiaries, and 200 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 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.

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9 Related parties (*continued*)

9.2 Related party transactions

(1) Material related party transactions

Material related party transactions refer to transactions where an individual transaction between the Group and a single related party amounts to more than 1% of the Group's net capital at the end of the previous quarter, or where the cumulative total of transactions between the Group and a single related party amounts to more than 5% of the Group's net capital at the end of the previous quarter.

For the year ended 31 December 2023, the Bank granted to Dajia Life Insurance Inc. a comprehensive credit limit of RMB26 billion with a term of 2 years. As at 31 December 2023, the loan balance was RMB26 billion.

For the year ended 31 December 2021, the Bank granted to Dajia Life Insurance Inc. a comprehensive credit limit of RMB15.7 billion with a term of 2 years. As at 31 December 2022, the loan balance was 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.

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For the year ended 31 December 2023
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9 Related parties (*continued*)

9.2 Related party transactions

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	31 December 2023	31 December 2022
Dajia Life Insurance Inc.	Pledged/Collateralised/ Guaranteed	26,000	15,700
Oceanwide Holding Co., Ltd.	Pledged/Collateralised/ Guaranteed	6,800	9,200
Shanghai Cibi Business Information Consulting Co., Ltd.	Pledged/Guaranteed	6,611	6,613
China Oceanwide Holdings Group Co., Ltd.	Pledged/Guaranteed	4,666	4,666
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/Guaranteed	4,329	4,381
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	3,972	3,972
Orient Group Incorporation	Pledged/Collateralised/ Guaranteed	3,478	2,837
Guizhou Guoyuan Mining Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	3,335	3,335
Wuhan CBD Co., Ltd.	Collateralised/ Guaranteed	3,046	3,046
UNITED ENERGY GROUP (HONG KONG) LIMITED	Pledged/Guaranteed	2,171	2,208
Oriental Group Co., Ltd.	Pledged/Guaranteed	2,252	2,092
Chongqing Yufu Expressway Co., Ltd.	Pledged/Guaranteed	1,987	–
Beijing Dacheng Hotel Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,698	1,700
Tongfang Guoxin Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	1,443	1,448
Tianjin Languang Hejun Small Station Culture and Tourism Entertainment Development Co., Ltd. (a)	Pledged/Collateralised/ Guaranteed	1,169	N/A
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	985	1,040
Chongqing Gengyu Real Estate Development Co., Ltd.	Collateralised/ Guaranteed	937	–
Xiamen Rongyin Co., Ltd.	Pledged/Collateralised/ Guaranteed	900	590
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/Guaranteed	900	950
Shanghai Songjiang Wanda Plaza Investment Co., Ltd. (a)	Collateralised/ Guaranteed	867	N/A
Sichuan Dazhou Steel Group Co., Ltd.	Pledged/Collateralised/ Guaranteed	725	725

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(Expressed in millions of Renminbi, unless otherwise stated)

9 Related parties (*continued*)

9.2 Related party transactions

(3) Loans to related parties

	Types of collateral	31 December 2023	31 December 2022
Beijing Xingtai Tonggang Real Estate Co., Ltd. (a)	Collateralised	698	N/A
Yunnan Textile Corporation	Pledged/Collateralised/ Guaranteed	640	–
Kunming Dashanghui Industrial Co., Ltd.	Collateralised/ Guaranteed	580	–
Guangxi Xindi Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	569	596
Shenyang New Hope Jinyu Real Estate Co., Ltd. (a)	Pledged/Collateralised/ Guaranteed	500	N/A
Xiamen Hongfu Co., Ltd.	Pledged/Guaranteed	400	199
Tianjin Yuanchuan Investment Co., Ltd. (a)	Pledged/Collateralised/ Guaranteed	317	N/A
New Hope Group Co., Ltd.	Guaranteed	300	–
Tianjin Boda Warehousing Service Co., Ltd. (a)	Pledged/Collateralised	276	N/A
Tianjin Yuanxi Real Estate Development Co., Ltd. (a)	Pledged/Collateralised	229	N/A
QUAM PLUS INTERNATIONAL FINANCIAL LIMITED	Pledged/Guaranteed	227	301
SINO-OCEAN GROUP HOLDING LIMITED	Guaranteed	198	471
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	150	150
Grass Green Group Co., Ltd.	Pledged/Guaranteed	149	167
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/Guaranteed	146	147
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	130	130
Sichuan Hope Huaxi Construction Engineering General Contracting Co., Ltd. (a)	Guaranteed	80	N/A
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	70	71
Dalian Jianhua Sludge Treatment Co., Ltd. (a)	Collateralised	70	N/A
Sichuan Hope Hydropower Development Co., Ltd. (a)	Pledged/Guaranteed	60	N/A
Hangzhou Xingyuan Environmental Protection Equipment Co., Ltd. (a)	Guaranteed	50	N/A
Hope Deepblue Air Conditioning Manufacture Corp., Ltd. (a)	Guaranteed	30	N/A
Hope Senlan Science and Technology Holding Corp., Ltd. (a)	Guaranteed	30	N/A
Shenzhen Sanjiang Intelligent Control Technology Co., Ltd.	Collateralised	15	15
Shanghai Zhaojiu Technology Co., Ltd.	Collateralised	14	–
Beijing ENRELY Technology Co., Ltd. (a)	Guaranteed	4	N/A

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	Types of collateral	31 December 2023	31 December 2022
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	–	390
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	–	150
Sichuan Hope Education Industry Group Co., Ltd.	Pledged	–	250
New Hope Dairy Co., Ltd.	Pledged	–	69
Shanghai Rihou Steel Tube Leasing Co., Ltd.	Collateralised	–	8
Bank Of Hebei Co., Ltd. (b)	Pledged	N/A	1,703
Individuals	Pledged/Collateralised/ Guaranteed	1,401	1,418
Total		85,609	70,743
Ratio to similar transactions (%)		1.98	1.74
Interest rate ranges of corporate related parties		1.65%-8.95%	2.61%-8.95%

(a) Since 2023, these companies have become related parties of the Group.

(b) As at 31 December 2023, these companies were no longer related parties of the Group.

Amount of transactions:

	Year ended 31 December	
	2023	2022
Interest income from loans	4,874	4,189
Ratio to similar transactions (%)	2.61	2.33

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For the year ended 31 December 2023
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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 2023		31 December 2022	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost	3,212	0.21	9,588	0.70
– Financial assets at fair value through profit or loss	867	0.27	560	0.14
– Financial assets at fair value through other comprehensive income	646	0.15	993	0.21
Long-term receivables	109	0.09	178	0.16
Other assets (a)	850	1.72	940	2.05
Balances with banks and other financial institutions	6	0.00	–	–
Deposits and placements from banks and other financial institutions	1,133	0.09	3,305	0.22
Borrowings from banks and other financial institutions	N/A	N/A	1,004	0.95
Deposits from customers	34,825	0.80	32,232	0.80
Other liabilities	22	0.04	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.

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9 Related parties (*continued*)9.2 Related party transactions (*continued*)(4) Other transactions with related parties (*continued*)

Interest rate ranges for transaction balances as at the end of reporting period

	31 December 2023	31 December 2022
Financial investments		
– Financial assets measured at amortised cost	3.80%-5.50%	2.80%-6.74%
– Financial assets at fair value through other comprehensive income	2.70%-5.50%	2.70%-5.30%
Long-term receivables	9.31%	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%

Amount of transactions:

	Year ended 31 December			
	2023		2022	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	195	0.07	399	0.15
Interest expense	997	0.61	1,150	0.74
Fee and commission income (a)	389	1.53	329	1.29
Fee and commission expense	–	–	17	0.33
Operating expenses (b)	1,793	3.40	1,840	3.50
Net other operating income (c)	592	24.19	321	13.18

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For the year ended 31 December 2023
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9 Related parties (continued)

9.2 Related party transactions (continued)

(4) Other transactions with related parties (continued)

- (a) For the years ended 31 December 2023 and 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, travel and publicity campaigns provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service and assets recovery service provided by Minsheng Real Estate Co., Ltd. and its related parties, business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.
- (c) For the year ended 31 December 2023, Minsheng Financial Leasing recognized RMB549 million fees for ancillary service in asset management provided by Sanya Minsheng Tourism Co. Ltd. (For the year ended 31 December 2022: RMB271 million).
- (d) For the year ended 31 December 2023, the Bank entrusted related parties to develop software and systems, and paid a total of RMB1,484 million (For the year ended 31 December 2022: RMB807 million). The main service provider was Minsheng Fintech Co., Ltd.

Balance of off-balance sheet items:

	31 December 2023		31 December 2022	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	89	0.02	2,472	0.50
Guarantees	—	—	204	0.15
Letters of credit	290	0.27	300	0.37
Unused credit card commitments	596	0.12	568	0.12

Balances of loans guaranteed by related parties:

	31 December 2023	31 December 2022
Loans guaranteed by related parties	42,677	27,331
Ratio to similar transactions (%)	0.99	0.67

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2023 and 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 RMB2.26 million as at 31 December 2023 (31 December 2022: RMB2.36 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 RMB86 million for the year ended 31 December 2023 (2022: RMB122 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 RMB39 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2022: RMB48 million) 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 the former CBIRC as well as relevant rules of the Bank. The Bank subscribed RMB7 million for supplementary pension insurance for the key management personnel in 2023 (2022: RMB10 million). The related salaries and benefits of 2022 were restated in accordance with the Supplement to 2022 Annual Report of China Minsheng Banking Corp., Ltd.

The total 2023 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 ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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:

	31 December 2023	31 December 2022
Placements with banks and other financial institutions	28,829	27,489
Loans and advances to customers	1,385	2,412
Financial investment	1,427	–
Right-of-use assets	–	3
Balances with banks and other financial institutions	220	160
Other assets	103	35
Deposits and placements from banks and other financial institutions	24,598	12,110
Deposits from customers	614	522
Leasing liabilities	–	3
Debt securities issued	257	–
Other liabilities	51	2

Amount of transactions for the reporting period:

	Year ended 31 December	
	2023	2022
Interest income	1,349	1,085
Interest expense	262	110
Fee and commission income	890	214
Fee and commission expense	147	1,512
Operating expenses	4	–
Net other operating income	1	4

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For the year ended 31 December 2023
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9 Related parties (*continued*)

9.2 Related party transactions (*continued*)

(8) Material transactions between the Bank and its subsidiaries:

- (a) For the year ended 31 December 2022, the Bank granted Minsheng Financial Leasing a maximum credit limit of RMB38,520 million with a term of 2 years.

As at 31 December 2023, the balance of placements with banks and other financial institutions was RMB22,017 million (For the year ended 31 December 2022: RMB21,193 million).

For the year ended 31 December 2023, Minsheng Financial Leasing transferred its financial leasing assets with a carrying amount of RMB10,381 million to the Bank through non-recourse factoring (For the year ended 31 December 2022: Nil).

- (b) For the year ended 31 December 2023, the Bank granted CMBC Wealth Management Co., Ltd. a maximum credit limit of RMB68,000 million with a term of 2 years. As at 31 December 2023, the credit line remained unused. For the year ended 31 December 2022, the Bank did not grant any credit line to Minsheng Wealth Management Co., Ltd.

(9) Transactions between subsidiaries:

For the year ended 31 December 2023, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 31 December 2023, the balance of the above transactions was RMB153 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.

NOTES TO THE 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.

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For the year ended 31 December 2023
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10 Financial risk management (*Continued*)

10.2 Credit risk (*Continued*)

(1) Credit risk measurement

The Group measures and manages the quality of its on-balance sheet and off-balance sheet financial assets exposed to credit risk in accordance with the Rules on Risk Classification of Financial Assets of Commercial Banks (CBIRC and PBOC Order [2023] No. 1). The Rules on Risk Classification of Financial Assets of Commercial Banks require commercial banks to classify their financial assets by their risk level into five categories, namely Normal, Special-Mention, Substandard, Doubtful and Loss, with assets classified into the latter three categories collectively referred to as “non-performing assets”. The Bank has also formulated the Administrative Measures for Risk Classification of Financial Assets of China Minsheng Banking Corporation Limited to guide its daily risk classification management of financial assets, and the Bank’s classification of its financial assets complies with the Rules on Risk Classification of Financial Assets of Commercial Banks.

The core definitions for classification of financial assets in the Rules on Risk Classification of Financial Assets of Commercial Banks are as follows:

Normal:	The debtor is capable of meeting its contractual obligations and there is no objective evidence indicating that the principal, interests, and income cannot be paid in full and on time.
Special-Mention:	The debtor is currently capable of paying the principal, interests, and income notwithstanding a number of factors that might adversely affect its capacity to meet its contractual obligations.
Substandard:	The debtor is incapable of paying the principal, interests, or income in full or the financial assets have become credit impaired.
Doubtful:	The debtor is incapable of paying the principal, interests, or income in full and the financial assets have become significantly credit impaired.
Loss:	None or only a minimum fraction of the financial assets can be recovered after exhausting all available options.

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For the year ended 31 December 2023
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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.

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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. Critical methods for the Group to control its credit risks include acquiring collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Financial instruments such as time deposits, debt securities and equities.
- Trade receivables, rent receivables and various rights to receive payments
- Mining rights and machinery

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collaterals from counterparties/require additional guarantors or squeeze the credit exposure.

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivative instruments

The credit risk of derivative financial instruments comes from the counterparty credit risk that the Bank faces during transactions with counterparties who fail to fulfill their obligations. The Bank manages the counterparty credit risk of derivative financial instruments through credit limits or other credit risk mitigation measures. The Bank incorporates counterparties' credit limits into the bank-wide unified credit management system and sets credit limits in the management system to monitor credit limits. To reduce the credit risk of derivative financial instruments, the Bank also adopts measures such as margin requirements, participation in central counterparty clearing, etc.

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For the year ended 31 December 2023
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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 commitments that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of credit commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(3) Expected Credit Loss ("ECL") measurement

According to the IFRS 9: Financial Instruments, the Group classifies its financial instruments into three stages for the purpose of ECL measurement and applies the ECL model to calculate credit loss provisions for on-balance sheet financial instruments that are exposed to credit risk and measured either at amortised cost or at fair value through other comprehensive income, such as loans, debt securities, balances with banks and other financial institutions, account receivables, lease receivables, and other debt investments, as well as off-balance sheet financial instruments that are exposed to credit risk, such as financial guarantee contracts and loan commitments.

The Group adopts the parameters-based approach and the discounted cash flow ("DCF") method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

The Group regularly reviews and optimizes its expected credit loss model, and makes timely updates to the forward-looking information and relevant parameters in accordance with the requirements of Implementation Rules on Expected Credit Loss Approach of Commercial Banks (CBIRC [2022] No.10) and internal relevant management system.

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For the year ended 31 December 2023
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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 end of reporting period, expected credit losses are recognised for the remaining lifetime.

(b) Criteria for significant increases in credit risk ("SICR")

The Group assesses, at each reporting period end, whether or not the credit risk of relevant financial instruments has increased significantly since their initial recognition. In order to determine whether the credit risk has increased significantly since initial recognition, the Group takes into account the reasonable and supportable information that is available without undue cost or effort and sets qualitative and quantitative criteria accordingly. The quantitative criteria include overdue days of the principal or interest for more than 30 days, credit asset classified as special-mention, the absolute level or relative change of Probability of Default in excess of the preset thresholds, among others; and the qualitative criteria mainly cover the regulatory and business environments, the borrowers' repayment ability, borrowers' operation capability, borrowers' repayment behaviors, and forward-looking information, among others.

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For the year ended 31 December 2023
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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.

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10 Financial risk management (*Continued*)

10.2 Credit risk (*Continued*)

(3) Expected Credit Loss ("ECL") measurement (*Continued*)

(d) Segmentation of risk exposures

For the purpose of expected credit loss measurement, the Group classifies exposures with similar credit risk characteristics into segmentation. The Group segments corporate financial assets mainly according to the borrower types and the industry in which they operate, and retail assets mainly according to product types, and the Group reviews the appropriateness of its risk grouping and makes corrections to the grouping results on an annual basis.

(e) Parameters for ECL measurement

Except for credit-impaired financial assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument according to whether there is a significant increase in credit risk. Expected credit losses are the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;
- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;
- EAD refers to the total amount of on – and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet credit risk conversion factor etc., and may vary by product types.

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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), Broad Money Supply (M2) and Consumer Price Index (CPI) respectively. The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indicators for ECL calculation.

As at 31 December 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	2.9%~5.1%
Quarterly Y/Y growth rate of M2	8.9%~12.9%
Quarterly Y/Y growth rate of CPI	0.1%~3.4%

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 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.

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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 2023	31 December 2022
Balances with central bank	383,365	331,569
Balances with banks and other financial institutions	129,678	88,705
Placements with banks and other financial institutions	172,778	182,434
Derivative financial assets	24,797	33,878
Financial assets held under resale agreements	35,773	3,010
Loans and advances to customers	4,323,908	4,072,982
Financial investments		
– Financial assets at fair value through profit or loss	165,173	128,005
– Financial assets measured at amortised cost	1,531,024	1,363,589
– Financial assets at fair value through other comprehensive income	412,100	462,619
Long-term receivables	119,434	111,456
Other financial assets	30,608	30,153
Total	7,328,638	6,808,400
Off-balance sheet credit commitments	1,279,620	1,263,888
Maximum credit risk exposure	8,608,258	8,072,288

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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 2023, the credit risk stages of financial instruments at amortised cost and financial instruments at fair value through other comprehensive income are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	383,365	-	-	383,365	-	-	-	-
Balances with banks and other financial institutions	129,682	-	-	129,682	(4)	-	-	(4)
Placements with banks and other financial institutions	173,098	-	1,193	174,291	(537)	-	(976)	(1,513)
Financial assets held under resale agreements	35,364	-	435	35,799	(1)	-	(25)	(26)
Loans and advances to customers								
– Corporate loans and advances	2,439,174	150,250	59,039	2,648,463	(18,374)	(18,204)	(26,816)	(63,394)
– Personal loans and advances	1,712,002	33,255	26,981	1,772,238	(7,858)	(7,220)	(18,972)	(34,050)
Financial investments	1,912,187	5,125	36,022	1,953,334	(2,793)	(406)	(9,187)	(12,386)
Long-term receivables	107,995	7,909	6,309	122,213	(707)	(436)	(1,636)	(2,779)
Off-balance sheet credit commitments	1,273,665	5,939	16	1,279,620	(1,065)	(146)	(1)	(1,212)

- (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)

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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 2023	31 December 2022
Stage 1		
Unsecured loans	1,207,124	1,087,615
Guaranteed loans	737,403	623,229
Loans secured by		
Tangible assets other than monetary assets	1,627,683	1,591,434
Monetary assets	562,834	542,328
Subtotal	4,135,044	3,844,606
Stage 2		
Unsecured loans	23,083	27,297
Guaranteed loans	23,835	31,630
Loans secured by		
Tangible assets other than monetary assets	85,945	122,535
Monetary assets	31,075	35,937
Subtotal	163,938	217,399
Stage 3		
Unsecured loans	19,193	15,884
Guaranteed loans	13,303	16,578
Loans secured by		
Tangible assets other than monetary assets	43,551	36,298
Monetary assets	9,848	10,379
Subtotal	85,895	79,139
Total	4,384,877	4,141,144
Credit-impaired loans secured by collateral	21,649	21,411

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For the year ended 31 December 2023
(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 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	556,874	12.70	523,343	12.64
Manufacturing	465,092	10.61	396,308	9.57
Real estate	346,298	7.90	363,344	8.77
Wholesale and retail	286,014	6.52	263,607	6.37
Water, environment and public utilities management	170,648	3.89	167,684	4.05
Transportation, storage and postal services	168,187	3.84	154,492	3.73
Financial services	165,194	3.77	115,764	2.79
Production and supply of electric power, heat, gas and water	130,512	2.98	103,403	2.50
Construction	119,477	2.72	109,689	2.65
Mining	69,034	1.57	72,705	1.76
Information transmission, software and IT services	42,602	0.97	41,727	1.01
Agriculture, forestry, animal husbandry and fishery	21,376	0.49	20,420	0.49
Accommodation and catering	16,248	0.37	17,578	0.42
Others	59,799	1.36	49,212	1.19
Subtotal	2,617,355	59.69	2,399,276	57.94
Personal loans and advances	1,767,522	40.31	1,741,868	42.06
Total	4,384,877	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:

	31 December 2023		31 December 2022	
	Amount	(%)	Amount	(%)
Head Office	492,829	11.24	488,895	11.81
Yangtze River Delta	1,125,915	25.68	1,045,578	25.25
Bohai Rim	701,020	15.99	644,316	15.56
Pearl River Delta	689,726	15.73	630,013	15.21
Western Region	660,499	15.06	630,687	15.23
Central Region	509,089	11.61	497,398	12.01
Northeastern Region	100,418	2.29	97,380	2.35
Overseas and subsidiaries	105,381	2.40	106,877	2.58
Total	4,384,877	100.00	4,141,144	100.00

(7) Rescheduled loans and advances

Rescheduled loans and advances to customers are those loans and advances for which, due to financial difficulties on the part of the borrowers, the Group has made modifications to the contract terms that are favorable to the borrowers, or has entered into refinancing arrangements with the borrowers, including borrowing for repaying or additional debt financing, etc., to facilitate the borrowers to meet their repayment obligations. As at 31 December 2023, the amount of the Group's rescheduled loans and advances to customers is RMB22,958 million (31 December 2022: RMB13,554 million)

Rescheduled loans and advances which were not past due or past due for no more than 90 days are as follows:

	31 December 2023	31 December 2022
Loans and advances to customers	10,199	3,659
Ratio of total loans and advances to customers (%)	0.23	0.09

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For the year ended 31 December 2023
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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 2023					Total
	Unrated (a)	AAA	AA	A	Lower than A	
Credit impaired						
– Banks and non-bank financial institutions (b)	29,010	–	–	–	12	29,022
– Corporates	4,134	–	–	–	740	4,874
Gross balance	33,144	–	–	–	752	33,896
Interest accrued						2,126
Less: Allowance for impairment losses of financial assets measured at amortised cost						(7,854)
Subtotal						28,168
Not impaired						
– Government	884,983	377,417	5,145	2,269	–	1,269,814
– Policy banks	142,368	10	–	948	–	143,326
– Banks and non-bank financial institutions	55,027	169,880	3,645	24,516	16,720	269,788
– Corporates	84,949	227,347	32,774	13,393	18,954	377,417
Gross balance	1,167,327	774,654	41,564	41,126	35,674	2,060,345
Interest accrued						22,140
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,356)
Subtotal						2,080,129
Total						2,108,297

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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 and bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

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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 2023	31 December 2022
Trust and asset management plans		
Credit assets	30,482	43,061
Bonds and others	17,185	14,185
Total	47,667	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 and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments, foreign exchange and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

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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.

Exchange rate risk of trading books arises from currency exposure conducted for customers, market making, proprietary trading, foreign exchange and foreign exchange derivative financial instrument transactions for the purpose of obtaining spreads or locking in arbitrage. The Bank measures exchange rate risk indicators through the identification of exchange rate risk factors and comprehensively evaluates the impact of changes in risk factors on each portfolio, product category and the Bank's profit and loss situation.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest are mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

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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 2023				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	352,299	37,584	286	198	390,367
Balances with banks and other financial institutions	60,976	18,731	2,417	47,554	129,678
Placements with banks and other financial institutions	154,348	15,767	1,996	667	172,778
Financial assets held under resale agreements	35,773	–	–	–	35,773
Loans and advances to customers	4,171,618	96,216	35,541	20,533	4,323,908
Financial investments	2,140,966	109,853	6,594	14,729	2,272,142
Long-term receivables	102,608	16,826	–	–	119,434
Other assets	160,120	41,659	802	28,304	230,885
Total assets	7,178,708	336,636	47,636	111,985	7,674,965
Liabilities:					
Borrowings from central bank	326,454	–	–	–	326,454
Deposits and placements from banks and other financial institutions	1,127,986	83,835	16,994	13,244	1,242,059
Borrowings from banks and other financial institutions	76,798	35,854	3,063	–	115,715
Financial assets sold under repurchase agreements	178,632	10,227	1,913	361	191,133
Deposits from customers	4,164,357	159,474	19,084	10,366	4,353,281
Debt securities issued	675,614	212	–	–	675,826
Lease liabilities	9,409	–	151	–	9,560
Other liabilities	111,001	10,814	1,290	31	123,136
Total liabilities	6,670,251	300,416	42,495	24,002	7,037,164
Net position	508,457	36,220	5,141	87,983	637,801
Foreign currency derivatives	66,000	(33,807)	(11,776)	(20,421)	(4)
Off-balance sheet credit commitments	1,239,280	34,165	2,380	3,795	1,279,620

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10 Financial risk management (*continued*)10.3 Market risk (*continued*)(2) Currency risk (*continued*)

	31 December 2022				Total
	RMB	USD	HKD	Others	
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*)

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 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 RMB970 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 RMB970 million (31 December 2022: 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.

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10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

(a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, valuation analyses, sensitivity analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group strengthens interest rate risk management in the banking book by setting risk limits such as duration and valuation loss tolerance. The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs scenario analyses and stress tests on a regular basis, and adjusts asset and liability 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*)

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 2023						Total
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	
Assets:							
Cash and balances with central bank	383,233	-	-	-	-	7,134	390,367
Balances with banks and other financial institutions	115,119	5,719	7,065	1,567	85	123	129,678
Placements with banks and other financial institutions	26,141	26,616	71,398	48,227	-	396	172,778
Financial assets held under resale agreements	35,434	300	-	-	-	39	35,773
Loans and advances to customers	792,629	711,038	1,850,375	776,058	157,984	35,824	4,323,908
Financial investments	89,858	147,604	324,086	996,360	518,235	195,999	2,272,142
Long-term receivables	18,054	8,370	44,018	44,041	4,951	-	119,434
Other assets	211	29	183	30	-	230,432	230,885
Total assets	1,460,679	899,676	2,297,125	1,866,283	681,255	469,947	7,674,965
Liabilities:							
Borrowings from central bank	10,013	68,923	244,539	-	-	2,979	326,454
Deposits and placements from banks and other financial institutions	574,151	281,427	380,004	-	-	6,477	1,242,059
Borrowings from banks and other financial institutions	26,396	32,744	50,883	4,502	422	768	115,715
Financial assets sold under repurchase agreements	133,326	21,316	36,139	-	-	352	191,133
Deposits from customers	2,198,701	333,487	692,635	1,057,624	556	70,278	4,353,281
Debt securities issued	33,723	177,805	323,222	47,576	89,992	3,508	675,826
Lease liabilities	230	362	2,153	5,608	1,207	-	9,560
Other liabilities	67	1,053	985	-	-	121,031	123,136
Total liabilities	2,976,607	917,117	1,730,560	1,115,310	92,177	205,393	7,037,164
Interest rate gap	(1,515,928)	(17,441)	566,565	750,973	589,078	264,554	637,801

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10 Financial risk management (*continued*)10.3 Market risk (*continued*)(3) Interest rate risk (*continued*)

	31 December 2022						Total
	Less than 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non- interest bearing	
Assets:							
Cash and balances with central bank	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

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10 Financial risk management (*continued*)

10.3 Market risk (*continued*)

(3) Interest rate risk (*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 2023 (Loss)/Gain	31 December 2022 (Loss)/Gain
Up 100 bps parallel shift in yield curves	(8,469)	(8,132)
Down 100 bps parallel shift in yield curves	8,469	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:

- 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;
- the impact of interest rate fluctuations on customers' behaviour;
- the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;
- the impact of interest rate fluctuations on market prices;
- the impact of interest rate fluctuations on off-balance sheet products;
- the impact of interest rate fluctuations on fair value of financial instruments;
- other variables (including foreign exchange rate); and
- other risk management measures in the Group.

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10 Financial risk management (*continued*)

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Asset and Liability and Financial Management Department is responsible for the daily liquidity risk management through the following procedures:

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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. 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.

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10 Financial risk management (*continued*)10.4 Liquidity risk (*Continued*)(2) Maturity analysis (*Continued*)

	31 December 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	292,660	97,707	-	-	-	-	-	390,367
Balances with banks and other financial institutions	-	109,921	5,306	5,729	7,070	1,567	85	129,678
Placements with banks and other financial institutions	217	-	26,028	26,743	71,520	48,270	-	172,778
Financial assets held under resale agreements	432	-	35,040	301	-	-	-	35,773
Loans and advances to customers	50,052	9,377	372,788	313,879	1,260,862	1,204,067	1,112,883	4,323,908
Financial investments	192,027	-	56,271	139,940	316,281	1,043,099	524,524	2,272,142
Long-term receivables	5,242	1,198	4,715	9,261	37,843	55,852	5,323	119,434
Other assets	178,662	618	11,284	10,229	17,390	11,178	1,524	230,885
Total assets	719,292	218,821	511,432	506,082	1,710,966	2,364,033	1,644,339	7,674,965

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10 Financial risk management (*continued*)10.4 Liquidity risk (*continued*)(2) Maturity analysis (*continued*)

	31 December 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	10,269	70,450	245,735	-	-	326,454
Deposits and placements from banks and other financial institutions	-	450,230	128,399	282,733	380,697	-	-	1,242,059
Borrowings from banks and other financial institutions	-	-	21,102	22,674	58,122	11,860	1,957	115,715
Financial assets sold under repurchase agreements	-	-	133,431	21,384	36,318	-	-	191,133
Deposits from customers	-	2,041,989	192,282	339,835	703,849	1,074,916	410	4,353,281
Debt securities issued	-	-	33,723	179,346	325,189	47,576	89,992	675,826
Lease liabilities	-	-	230	362	2,153	5,608	1,207	9,560
Other liabilities	2,178	10,448	14,081	61,728	20,064	12,748	1,889	123,136
Total liabilities	2,178	2,502,667	533,517	978,512	1,772,127	1,152,708	95,455	7,037,164
Net position	717,114	(2,283,846)	(22,085)	(472,430)	(61,161)	1,211,325	1,548,884	637,801
Notional amount of derivatives	-	-	751,399	946,685	1,952,414	889,620	2,370	4,542,488

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10 Financial risk management (*continued*)

10.4 Liquidity risk (*continued*)

(2) Maturity analysis (*continued*)

	31 December 2022							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	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							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	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

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables, placements with banks and other financial institutions and financial assets held under resale agreements refers to amounts of such assets that have become impaired or overdue for more than 1 month, and also equity investments and fund investments in financial investments; and repayable on demand with respect to, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than 1 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 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	292,660	97,707	–	–	–	–	–	390,367
Balances with banks and other financial institutions	–	109,925	5,322	5,833	7,184	1,567	85	129,916
Placements with banks and other financial institutions	1,193	–	26,666	27,901	73,815	49,066	–	178,641
Financial assets held under resale agreements	457	–	35,047	301	–	–	–	35,805
Loans and advances to customers	99,954	12,319	389,545	342,981	1,373,433	1,471,118	1,514,245	5,203,595
Financial investments	192,112	–	60,009	147,978	357,696	1,152,401	627,474	2,537,670
Long-term receivables	8,280	1,317	5,115	10,073	41,373	64,956	7,218	138,332
Other assets	183,277	618	6,524	1,707	8,975	9,083	1,443	211,627
Total assets (expected maturity date)	777,933	221,886	528,228	536,774	1,862,476	2,748,191	2,150,465	8,825,953

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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 2023							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	10,276	70,738	250,580	-	-	331,594
Deposits and placements from banks and other financial institutions	-	450,627	128,757	283,159	381,551	-	-	1,244,094
Borrowings from banks and other financial institutions	-	-	21,165	24,296	59,660	13,193	2,217	120,531
Financial assets sold under repurchase agreements	-	-	133,456	21,471	36,913	-	-	191,840
Deposits from customers	-	2,041,989	193,088	347,730	712,469	1,099,296	411	4,394,983
Debt securities issued	-	-	33,772	180,476	331,485	64,360	95,542	705,635
Lease liabilities	-	-	251	394	2,342	6,100	1,313	10,400
Other liabilities	2,178	10,448	7,896	49,716	10,569	11,174	1,879	93,860
Total liabilities (contractual maturity date)	2,178	2,503,064	528,661	977,980	1,785,569	1,194,123	101,362	7,092,937

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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							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Assets:								
Cash and balances with central bank	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							Total
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Liabilities:								
Borrowings from central bank	-	-	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.

	31 December 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	(168)	70	412	63	–	377
Interest rate derivatives	39	681	780	786	11	2,297
Credit derivatives	16	–	37	82	–	135
Total	(113)	751	1,229	931	11	2,809

	31 December 2022					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives	(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

(b) Derivatives settled on a gross basis

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

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards and swaps

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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 2023					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(120,834)	(94,199)	(158,192)	(128,398)	–	(501,623)
– Cash inflow	120,784	93,355	158,387	128,716	–	501,242
Precious metal derivatives						
– Cash outflow	(25,222)	(23,262)	(28,125)	–	–	(76,609)
– Cash inflow	23,873	20,224	26,927	–	–	71,024
Total cash outflow	(146,056)	(117,461)	(186,317)	(128,398)	–	(578,232)
Total cash inflow	144,657	113,579	185,314	128,716	–	572,266

	31 December 2022					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Foreign exchange derivatives						
– Cash outflow	(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

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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 2023			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Bank acceptances	476,334	–	–	476,334
Letters of credit	106,523	507	–	107,030
Guarantees	86,733	43,912	351	130,996
Unused credit card commitments	514,685	–	–	514,685
Irrevocable credit commitments	35,731	11,177	3,667	50,575
Total	1,220,006	55,596	4,018	1,279,620

	31 December 2022			Total
	Less than 1 year	1 to 5 years	More than 5 years	
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.

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10 Financial risk management (*continued*)

10.5 Operational risk (*Continued*)

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.

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of policies to accrue country risk reserve.

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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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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:

	31 December 2023	31 December 2022
Core tier-one capital adequacy ratio	9.28%	9.17%
Tier-one capital adequacy ratio	10.95%	10.91%
Capital adequacy ratio	13.14%	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	58,805	55,276
General reserve	95,237	90,494
Retained earnings	271,645	257,877
Valid portion of non-controlling interests	8,053	7,943
Others	2,022	(612)
Core tier-one capital	537,693	512,909
Core tier-one capital deductions	(3,841)	(6,931)
Net core tier-one capital	533,852	505,978
Net other tier-one capital	96,036	96,021
Net tier-one capital	629,888	601,999
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	89,992	89,991
Surplus provision for loan impairment	33,388	31,028
Valid portion of non-controlling interests	2,148	2,118
Net tier-two capital	125,528	123,137
Net capital base	755,416	725,136

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For the year ended 31 December 2023
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10 Financial risk management (*continued*)

10.7 Capital management (*Continued*)

	31 December 2023	31 December 2022
Credit risk-weighted assets	5,413,859	5,144,232
Market risk-weighted assets	65,225	72,760
Operational risk-weighted assets	270,988	300,297
Total risk-weighted assets	5,750,072	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: The debt securities classified as level 2 are RMB bonds and foreign currency bonds. The fair value of RMB bonds is determined according to the valuation results of China Central Depository & Clearing Co., Ltd., and the fair value of foreign currency bonds is determined according to Bloomberg's valuation results. Other financial instruments classified as level 2 include derivative contracts, discounted bills and forfaiting, which are valued using discounted cash flow method and Blair-Scholes model, etc. All significant valuation parameters are obtained from observable market information.

Level 3: Financial instruments classified as level 3 include equity instruments and debt instruments, whose valuation involves one or more significant unobservable inputs, mainly including right of trust benefit, non-listed equities, subordinated tranches of asset-backed securities, convertible bonds, and asset management plans, etc. The valuation techniques used include discounted cash flow method, market approach and income approach, etc. Unobservable inputs for valuation models include discount rates and discounts for lack of marketability (DLOM), etc.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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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 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	142,836	3,255	146,091
Equity investments	1,535	1,932	16,170	19,637
Investment funds	118,979	11,115	1,463	131,557
Trust and asset management plans	–	10,975	6,210	17,185
Others	3,979	202	1,896	6,077
Financial assets at fair value through other comprehensive income				
Debt securities	–	411,160	940	412,100
Equity investments	–	2,578	5,893	8,471
Loans and advances to customers at fair value through other comprehensive income	–	279,998	–	279,998
Derivative financial assets				
Foreign exchange derivatives	–	22,130	–	22,130
Interest rate derivatives	–	1,733	–	1,733
Precious metal derivatives	–	908	–	908
Others	–	26	–	26
Total	124,493	885,593	35,827	1,045,913
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(22,011)	–	(22,011)
Interest rate derivatives	–	(676)	–	(676)
Precious metal derivatives	–	(6,585)	–	(6,585)
Others	–	(4)	–	(4)
Financial liabilities at fair value through profit or loss	–	(35,013)	(814)	(35,827)
Total	–	(64,289)	(814)	(65,103)

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For the year ended 31 December 2023
(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 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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For the year ended 31 December 2023
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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 2023					
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Total	Financial assets at fair value through profit or loss liabilities	Total liabilities
		Debt securities	Equity securities			
As at 1 January 2023	29,338	841	5,261	35,440	270	270
Total gains/(losses)						
In profit or loss	(617)	(13)	–	(630)	–	–
In other comprehensive income	–	2	569	571	–	–
Purchase/transfer in	4,639	140	63	4,842	544	544
Settlement/transfer out	(4,366)	(30)	–	(4,396)	–	–
As at 31 December 2023	28,994	940	5,893	35,827	814	814
Total realised gains included in the consolidated statement of profit or loss	55	–	–	55	–	–
Total unrealised losses included in the consolidated statement of profit or loss	(672)	(13)	–	(685)	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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*)

	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)	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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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 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,531,024	1,536,026	–	1,488,415	47,611
Financial liabilities					
Debt securities issued	675,826	669,980	–	669,980	–

	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 consolidated financial statements, the Group had no material subsequent events for disclosure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(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 2023	31 December 2022
ASSETS		
Cash and balances with central bank	387,434	335,491
Balances with banks and other financial institutions	100,127	69,476
Precious metals	28,285	25,167
Placements with banks and other financial institutions	201,606	209,923
Derivative financial assets	24,694	33,711
Financial assets held under resale agreements	25,845	2,551
Loans and advances to customers	4,310,985	4,051,123
Financial investments:	2,226,240	2,199,557
– Financial assets at fair value through profit or loss	289,565	380,523
– Financial assets measured at amortised cost	1,526,792	1,362,676
– Financial assets at fair value through other comprehensive income	409,883	456,358
Property and equipment	26,082	25,442
Right-of-use assets	12,221	12,150
Deferred income tax assets	51,815	53,037
Investment in subsidiaries	13,413	13,381
Other assets	29,386	30,604
Total assets	7,438,133	7,061,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(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 2023	31 December 2022
LIABILITIES		
Borrowings from central bank	326,137	144,357
Deposits and placements from banks and other financial institutions	1,260,132	1,478,545
Financial liabilities at fair value through profit or loss	2,320	1,645
Derivative financial liabilities	29,195	32,675
Financial assets sold under repurchase agreements	167,358	92,095
Deposits from customers	4,316,817	4,016,971
Lease liabilities	9,190	9,148
Provisions	1,787	2,455
Debt securities issued	670,391	648,107
Current income tax liabilities	992	4,308
Other liabilities	40,587	41,827
Total liabilities	6,824,906	6,472,133
EQUITY		
Share capital	43,782	43,782
Other equity instrument	94,962	94,962
Including: Preference shares	19,975	19,975
Perpetual bonds	74,987	74,987
Reserves		
Capital reserve	57,880	57,880
Surplus reserve	58,805	55,276
General reserve	91,290	86,911
Other reserves	1,699	(438)
Retained earnings	264,809	251,107
Total equity	613,227	589,480
Total liabilities and equity	7,438,133	7,061,613

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in millions of Renminbi, unless otherwise stated)

14 Statement of financial position and Statement of changes in equity of the Bank (continued)

	Reserves									Total
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange Reserve	Cash flow hedging reserve	Retained earnings	
At 31 December 2022	43,782	94,962	57,880	55,276	86,911	(347)	(92)	1	251,107	589,480
(I) Net profit	-	-	-	-	-	-	-	-	35,291	35,291
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,203	(44)	(18)	-	2,141
Total comprehensive income	-	-	-	-	-	2,203	(44)	(18)	35,291	37,432
(III) Profit distribution										
1. Appropriation to surplus reserve	-	-	-	3,529	-	-	-	-	(3,529)	-
2. Appropriation to general reserve	-	-	-	-	4,379	-	-	-	(4,379)	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,245)	(10,245)
4. Interest on perpetual bond	-	-	-	-	-	-	-	-	(3,440)	(3,440)
(IV) Transfers within the owners' equity										
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	(4)	-	-	4	-
At 31 December 2023	43,782	94,962	57,880	58,805	91,290	1,852	(136)	(17)	264,809	613,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
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14 Statement of financial position and Statement of changes in equity of the Bank (continued)

	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Reserves 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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2023
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1 Liquidity coverage ratio

	As at 31 December 2023	As at 31 December 2022
Liquidity coverage ratio (%) (RMB and foreign currency)	146.06	134.89
High Quality Liquid Assets	1,125,729	1,003,957
Net cash outflows in 30days from the end of the reporting period	770,717	744,278

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the former CBIRC and based on the financial information prepared in accordance with PRC GAAP.

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

2 Currency concentration

	31 December 2023			
	USD	HKD	Others	Total
Spot assets	338,056	48,543	112,637	499,236
Spot liabilities	(297,245)	(42,175)	(24,002)	(363,422)
Forward purchases	1,137,604	5,724	73,280	1,216,608
Forward sales	(1,141,366)	(17,499)	(117,890)	(1,276,755)
Net long position (a)	37,049	(5,407)	44,025	75,667

	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 year ended 31 December 2023
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3 Loans and advances to customers

3.1 Impaired loans by geographical area

	31 December 2023		31 December 2022	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	16,273	15,012	14,565	12,418
Bohai Rim	21,695	10,577	14,484	8,281
Yangtze River Delta	16,247	6,484	8,837	3,877
Western Region	12,779	5,255	15,637	6,392
Pearl River Delta	8,062	3,751	10,101	4,428
Central Region	7,274	2,986	11,794	4,609
Northeastern Region	1,269	533	2,369	785
Overseas and subsidiaries	2,421	1,190	1,352	726
Total	86,020	45,788	79,139	41,516

3.2 Loans overdue for more than 3 months by geographical area

	31 December 2023		31 December 2022	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	16,141	15,000	13,746	11,970
Bohai Rim	10,993	3,835	6,821	4,324
Western Region	10,549	4,497	11,430	4,551
Yangtze River Delta	8,685	3,522	7,016	3,107
Pearl River Delta	5,608	2,978	9,854	4,335
Central Region	4,842	2,251	7,518	3,222
Northeastern Region	878	390	2,013	649
Overseas and subsidiaries	2,355	1,111	1,455	718
Total	60,051	33,584	59,853	32,876

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