招商銀行
CHINA MERCHANTS BANK

招商銀行股份有限公司
CHINA MERCHANTS BANK CO., LTD.
(A joint stock company incorporated in the People's Republic of China with limited liability)
(H Share Stock Code: 03968)

2023 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Bank Co., Ltd. (the "**Company**") hereby announces the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2023. This announcement, containing the full text of the 2023 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. Printed version of the Company's 2023 Interim Report will in due course be delivered to the H-Share Holders of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk) and the Company (www.cmbchina.com).

Publication of Results Announcement

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.cmbchina.com) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). In the event of any discrepancies in interpretations between the English version and the Chinese version, the Chinese version shall prevail.

The Company also prepared the Interim Report in Chinese in accordance with the PRC Generally Accepted Accounting Principles, which is available on the websites of the Company (www.cmbchina.com) and Shanghai Stock Exchange (www.sse.com.cn).

The Board of Directors of
China Merchants Bank Co., Ltd.

25 August 2023

As at the date of this announcement, the executive directors of the Company are Wang Liang and Zhu Jiangtao; the non-executive directors of the Company are Miao Jianmin, Hu Jianhua, Sun Yunfei, Zhou Song, Hong Xiaoyuan, Zhang Jian and Chen Dong; and the independent non-executive directors of the Company are Wong See Hong, Li Menggang, Liu Qiao, Tian Hongqi, Li Chaoxian and Shi Yongdong.

Contents

Definitions

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

China Merchants Bank Co., Ltd.

The Group:

China Merchants Bank and its subsidiaries

CSRC:

China Securities Regulatory Commission

Hong Kong Stock Exchange or SEHK:

The Stock Exchange of Hong Kong Limited

Hong Kong Listing Rules:

The Rules Governing the Listing of Securities on the SEHK

CMB Wing Lung Bank:

CMB Wing Lung Bank Limited

CMB Wing Lung Group:

CMB Wing Lung Bank and its subsidiaries

CMB Financial Leasing or CMBFL:

CMB Financial Leasing Co., Ltd.

CMB International Capital or CMBIC:

CMB International Capital Holdings Corporation Limited

CMB Wealth Management:

CMB Wealth Management Company Limited

China Merchants Fund or CMFM:

China Merchants Fund Management Co., Ltd.

CIGNA & CMAM:

CIGNA & CMB Asset Management Company Limited

CMB Europe S.A.:

China Merchants Bank (Europe) Co., Ltd. (招商銀行(歐洲)有限公司)

CIGNA & CMB Life Insurance:

CIGNA & CMB Life Insurance Co., Ltd.

MUCFC:

Merchants Union Consumer Finance Company Limited

CMB YunChuang:

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

CMB Network Technology:

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

Deloitte Touche Tohmatsu Certified Public Accountants LLP:

Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)

SFO:

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

Model Code:

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

Significant Risk Warning

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

Important Notice

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

2. The 23rd meeting of the Twelfth Session of the Board of Directors of the Company was convened at the Shenzhen Training Centre on 25 August 2023. The meeting was presided by Miao Jianmin, Chairman of the Board of Directors. 13 out of 15 eligible Directors attended the meeting in person. Due to personal reasons, Hu Jianhua, Non-Executive Director and Hong Xiaoyuan, Non-Executive Director, were absent from the meeting and appointed Zhang Jian (Non-Executive Director) as their proxy to attend the meeting. 7 Supervisors of the Company were present at the meeting. The convening of the meeting complied with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of China Merchants Bank Co., Ltd..

3. The Company will not implement the profit appropriation nor will it transfer any capital reserve into share capital for the first half of 2023.

4. The financial report in this report is unaudited.

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

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

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

Company Profile

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

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

1.2 **Legal Representative:** Miao Jianmin

Authorised Representatives: Wang Liang, Peng Jiawen

Secretary of the Board of Directors: Peng Jiawen

Joint Company Secretaries: Peng Jiawen, Ho Wing Tsz Wendy

Securities Representative: Xia Yangfang

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

1.4 **Contact Details:**

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

Postcode: 518040

Tel: +86 755 8319 8888

Fax: +86 755 8319 5555

E-mail: cmb@cmbchina.com

Website: www.cmbchina.com

Customer complaint hotline: 95555-7

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

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

1.6 **Share Listing:**

A Shares: Shanghai Stock Exchange

Abbreviated Name of A Shares: CMB

Stock Code: 600036

H Shares: SEHK

Abbreviated Name of H Shares: CM BANK

Stock Code: 03968

Domestic Preference Shares: Shanghai Stock Exchange

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

Stock Code: 360028

1.7 **Domestic Auditor:** Deloitte Touche Tohmatsu Certified Public Accountants LLP

Office Address: 30th Floor, Bund Centre, 222 Yan'an Road East, Shanghai, the PRC

International Auditor: Deloitte Touche Tohmatsu

Office Address: 35th Floor, One Pacific Place, 88 Queensway, Hong Kong, the PRC

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

Legal Advisor as to Hong Kong Law: Herbert Smith Freehills

1.9 **Registrar for A Shares:**

China Securities Depository & Clearing Corporation Ltd., Shanghai Branch

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

Tel: +86 4008 058 058

Share Register and Transfer Office as to H Shares:

Computershare Hong Kong Investor Services Ltd.

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

Tel: +852 2862 8555

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

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

The Chinese mainland:	"China Securities Journal" (www.cs.com.cn), "Securities Times" (www.stcn.com),
	"Shanghai Securities News" (www.cnstock.com)
	website of Shanghai Stock Exchange (www.sse.com.cn)
	website of the Company (www.cmbchina.com)
Hong Kong:	website of Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk)
	website of the Company (www.cmbchina.com)

Place for maintenance of periodic reports: Office of the Board of Directors of the Company

Summary of Accounting Data and Financial Indicators

2.1 Key Accounting Data and Financial Indicators

(in millions of RMB, unless otherwise specified)	January to June 2023	January to June 2022	Changes +/-%
Operating Results			
Net operating income[1]	178,465	179,077	-0.34
Profit before tax	90,884	83,624	8.68
Net profit attributable to shareholders of the Bank	75,752	69,420	9.12
Per Share (RMB)			
Basic earnings attributable to ordinary shareholders of the Bank[2]	2.93	2.67	9.74
Diluted earnings attributable to ordinary shareholders of the Bank	2.93	2.67	9.74

(in millions of RMB, unless otherwise specified)	30 June 2023	31 December 2022	Changes +/-%
Volume Indicators			
Total assets	10,739,836	10,138,912	5.93
of which: total loans and advances to customers[3]	6,355,439	6,051,459	5.02
Total liabilities	9,753,923	9,184,674	6.20
of which: total deposits from customers[3]	8,030,232	7,535,742	6.56
Total equity attributable to shareholders of the Bank	977,126	945,503	3.34
Net assets per share attributable to ordinary shareholders of the Bank (RMB)[2]	33.97	32.71	3.85

Notes:

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

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

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

2.2 Financial Ratios

(%)	January to June 2023	January to June 2022	Changes
Profitability indicators (annualised)			
Return on average assets attributable to shareholders of the Bank	1.45	1.46	Decreased by 0.01 percentage point
Return on average equity attributable to ordinary shareholders of the Bank	17.55	18.07	Decreased by 0.52 percentage point
Net interest spread(1)	2.12	2.33	Decreased by 0.21 percentage point
Net interest margin(2)	2.23	2.44	Decreased by 0.21 percentage point
As percentage of net operating income			
–Net interest income	61.07	60.14	Increased by 0.93 percentage point
–Net non-interest income	38.93	39.86	Decreased by 0.93 percentage point
Cost-to-income ratio(3)	29.07	27.76	Increased by 1.31 percentage points

(%)	30 June 2023	31 December 2022	Changes over 2022 year-end
Capital adequacy indicators under the Advanced Measurement Approach(4)			
Core Tier 1 capital adequacy ratio	13.09	13.68	Decreased by 0.59 percentage point
Tier 1 capital adequacy ratio	14.99	15.75	Decreased by 0.76 percentage point
Capital adequacy ratio	17.09	17.77	Decreased by 0.68 percentage point
Equity to total assets	9.18	9.41	Decreased by 0.23 percentage point
Asset quality indicators			
Non-performing loan ratio	0.95	0.96	Decreased by 0.01 percentage point
Allowance coverage ratio(5)	447.63	450.79	Decreased by 3.16 percentage points
Allowance-to-loan ratio(6)	4.27	4.32	Decreased by 0.05 percentage point

	January to June 2023	January to June 2022	Changes
Credit cost ratio (annualised)(7)	0.88	0.79	Increased by 0.09 percentage point

Notes:

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

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

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

(4) As at the end of the reporting period, the Group's Core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio under the Weighted Approach were 11.16%, 12.78% and 14.19% respectively.

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

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

(7) Credit cost ratio = expected credit losses of loans and advances to customers/the average of total loans and advances to customers × 100%, the average of total loans and advances to customers = (total loans and advances to customers at the beginning of the period + total loans and advances to customers at the end of the period)/2.

Management Discussion and Analysis

3.1 Analysis of Overall Operation

During the reporting period, the Group adhered to the concept of dynamically balanced development of "Quality, Efficiency and Scale", took the strategic target of building a value creation bank and carried out various businesses in a sound manner. Both the scale of assets and liabilities and net profit grew steadily, and the overall asset quality is stable.

During the reporting period, the Group realised the net operating income of RMB178.465 billion, representing a year-on-year decrease of 0.34%; realised a net profit attributable to shareholders of the Bank of RMB75.752 billion, representing a year-on-year increase of 9.12%; realised the net interest income of RMB108.996 billion, representing a year-on-year increase of 1.21%; and realised the net non-interest income of RMB69.469 billion, representing a year-on-year decrease of 2.68%. The annualised return on average asset (ROAA) attributable to shareholders of the Bank and the annualised return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.45% and 17.55%, down by 0.01 percentage point and 0.52 percentage point year-on-year, respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB10,739.836 billion, representing an increase of 5.93% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB6,355.439 billion, representing an increase of 5.02% as compared with the end of the previous year. Total liabilities amounted to RMB9,753.923 billion, representing an increase of 6.20% as compared with the end of the previous year. Total deposits from customers amounted to RMB8,030.232 billion, representing an increase of 6.56% as compared with the end of the previous year.

As at the end of the reporting period, the Group had a balance of non-performing loans of RMB60.641 billion, representing an increase of RMB2.637 billion as compared with the end of the previous year. The non-performing loan ratio was 0.95%, representing a decrease of 0.01 percentage point as compared with the end of the previous year. The allowance coverage ratio was 447.63%, representing a decrease of 3.16 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.27%, representing a decrease of 0.05 percentage point as compared with the end of the previous year.

3.2 Analysis of Income Statement

3.2.1 Financial highlights

During the reporting period, the Group realised a profit before tax of RMB90.884 billion, representing a year-on-year increase of 8.68%. The effective income tax rate was 15.90%, representing a year-on-year decrease of 0.39 percentage point. The following table sets out the changes in major income/loss items of the Group during the reporting period.

(in millions of RMB)	January to June 2023	January to June 2022	Changes
Net interest income	**108,996**	107,692	1,304
Net fee and commission income	**47,091**	53,405	(6,314)
Other net income	**20,822**	16,524	4,298
Operating expenses	**(56,372)**	(53,976)	(2,396)
Expected credit losses	**(31,059)**	(41,477)	10,418
Impairment losses on other assets	**(150)**	–	(150)
Share of profits of joint ventures and associates	**1,556**	1,456	100
Profit before tax	**90,884**	83,624	7,260
Income tax	**(14,447)**	(13,622)	(825)
Net profit	**76,437**	70,002	6,435
Net profit attributable to shareholders of the Bank	**75,752**	69,420	6,332

3.2.2 Net operating income

During the reporting period, the Group realised net operating income of RMB178.465 billion, representing a year-on-year decrease of 0.34%, of which net interest income accounted for 61.07% and net non-interest income accounted for 38.93% with a year-on-year decrease of 0.93 percentage point.

3.2.3 Interest income

During the reporting period, the Group recorded an interest income of RMB187.334 billion, representing a year-on-year increase of 8.37%, mainly driven by the increase in interest-earning assets. Interest income from loans and advances to customers continued to be the largest component of the interest income of the Group.

Interest income from loans and advances to customers

During the reporting period, the interest income from loans and advances to customers of the Group was RMB134.592 billion, representing a year-on-year increase of 2.58%.

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

(in millions of RMB, except for percentages)	January to June 2023			2022			January to June 2022		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	2,512,173	47,346	3.80	2,250,662	86,754	3.85	2,212,581	42,223	3.85
Retail loans	3,235,999	82,804	5.16	3,089,371	168,174	5.44	3,028,250	83,254	5.54
Discounted bills	474,180	4,442	1.89	510,242	10,673	2.09	491,315	5,727	2.35
Loans and advances to customers	6,222,352	134,592	4.36	5,850,275	265,601	4.54	5,732,146	131,204	4.62

During the reporting period, from the perspective of the maturity structure of loans and advances to customers of the Group, the average balance of short-term loans was RMB2,157.146 billion with the interest income amounting to RMB51.096 billion, and the annualised average yield reached 4.78%; the average balance of medium- and long-term loans was RMB4,065.206 billion with the interest income amounting to RMB83.496 billion, and the annualised average yield reached 4.14%. The average yield of short-term loans was higher than that of medium- and long-term loans, which was mainly attributable to the higher yield of credit card loans and consumer loans in short-term loans and the relatively high proportion thereof.

Interest income from investments

During the reporting period, the interest income from investments of the Group was RMB39.198 billion, representing a year-on-year increase of 26.36%. The annualised average yield of investments was 3.25%, representing a year-on-year decrease of 1 basis point, which was mainly attributable to the impact of the falling market interest rates.

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

During the reporting period, the interest income of the Group from balances and placements with banks and other financial institutions was RMB8.785 billion, representing a year-on-year increase of 32.86%, and the annualised average yield of balances and placements with banks and other financial institutions was 2.80%, representing a year-on-year increase of 86 basis points, which was primarily attributable to the higher yield of balances and placements with banks and other financial institutions denominated in foreign currencies resulting from the US Federal Reserve's interest rate hike.

3.2.4 Interest expense

During the reporting period, the interest expense of the Group was RMB78.338 billion, representing a year-on-year increase of 20.21%, mainly due to the increase in the scale of the interest-bearing liabilities and the increase of the cost ratio of interest expense.

Interest expense on deposits from customers

During the reporting period, the Group's interest expense on deposits from customers was RMB62.455 billion, representing a year-on-year increase of 25.43%, mainly due to the rapid increase in scale of deposits from customers. At the same time, on the one hand, although the interest rate of RMB deposits decreased, the increase in interest rates of deposits denominated in foreign currencies pushed up the overall cost ratio of deposits to a certain extent; on the other hand, the proportion of time deposits increased as customers' demand for wealth-enhancing features in deposits is on the rise.

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

	January to June 2023			2022			January to June 2022		
(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Deposits from corporate customers									
Demand	2,710,517	15,199	1.13	2,631,389	27,749	1.05	2,599,448	12,819	0.99
Time	1,918,951	25,675	2.70	1,755,394	46,698	2.66	1,704,526	22,480	2.66
Subtotal	4,629,468	40,874	1.78	4,386,783	74,447	1.70	4,303,974	35,299	1.65
Deposits from retail customers									
Demand	1,913,198	4,083	0.43	1,655,088	6,073	0.37	1,583,185	2,872	0.37
Time	1,286,133	17,498	2.74	913,786	25,316	2.77	833,150	11,620	2.81
Subtotal	3,199,331	21,581	1.36	2,568,874	31,389	1.22	2,416,335	14,492	1.21
Total	7,828,799	62,455	1.61	6,955,657	105,836	1.52	6,720,309	49,791	1.49

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

During the reporting period, the interest expense on deposits and placements from banks and other financial institutions of the Group amounted to RMB9.964 billion, representing a year-on-year increase of 25.18%, which was primarily attributable to the higher cost ratio of placements from banks and other financial institutions denominated in foreign currencies resulting from the US Federal Reserve's interest rate hike.

Interest expense on debt securities issued

During the reporting period, the interest expense on debt securities issued of the Group amounted to RMB3.868 billion, representing a year-on-year decrease of 31.48%, mainly due to the growth in deposits from customers resulting in the decrease in daily average scale of interbank certificates of deposits and bonds.

3.2.5 Net interest income

During the reporting period, the Group's net interest income amounted to RMB108.996 billion, representing a year-on-year increase of 1.21%.

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

(in millions of RMB, except for percentages)	January to June 2023			2022			January to June 2022		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets									
Loans and advances to customers	6,222,352	134,592	4.36	5,850,275	265,601	4.54	5,732,146	131,204	4.62
Investments	2,434,912	39,198	3.25	2,029,578	65,808	3.24	1,919,105	31,022	3.26
Balances with the central bank	577,741	4,759	1.66	557,031	8,482	1.52	559,183	4,023	1.45
Balances and placements with banks and other financial institutions	632,072	8,785	2.80	644,938	13,489	2.09	687,240	6,612	1.94
Total	9,867,077	187,334	3.83	9,081,822	353,380	3.89	8,897,674	172,861	3.92

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities									
Deposits from customers	7,828,799	62,455	1.61	6,955,657	105,836	1.52	6,720,309	49,791	1.49
Deposits and placements from banks and other financial institutions	972,899	9,964	2.07	996,819	16,309	1.64	994,209	7,960	1.61
Debt securities issued	252,057	3,868	3.09	322,784	9,662	2.99	388,651	5,645	2.93
Borrowings from the central bank	169,278	1,802	2.15	122,194	2,828	2.31	128,231	1,498	2.36
Lease liabilities	12,883	249	3.90	13,408	510	3.80	13,673	275	4.06
Total	9,235,916	78,338	1.71	8,410,862	135,145	1.61	8,245,073	65,169	1.59
Net interest income	/	108,996	/	/	218,235	/	/	107,692	/
Net interest spread	/	/	2.12	/	/	2.28	/	/	2.33
Net interest margin	/	/	2.23	/	/	2.40	/	/	2.44

During the reporting period, the annualised average yield of the interest-earning assets of the Group was 3.83%, representing a year-on-year decrease of 9 basis points; the annualised average cost ratio of the interest-bearing liabilities was 1.71%, representing a year-on-year increase of 12 basis points; the net interest spread was 2.12%, representing a year-on-year decrease of 21 basis points; and the net interest margin was 2.23%, representing a year-on-year decrease of 21 basis points.

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

(in millions of RMB)	January to June 2023 compared to January to June 2022		
	Increase (decrease) due to		Net increase
	Volume	Interest rate	(decrease)
Interest-earning assets			
Loans and advances to customers	10,764	(7,376)	3,388
Investments	8,271	(95)	8,176
Balances with the central bank	154	582	736
Balances and placements with banks and other financial institutions	(758)	2,931	2,173
Changes in interest income	18,431	(3,958)	14,473
Interest-bearing liabilities			
Deposits from customers	10,339	2,325	12,664
Deposits and placements from banks and other financial institutions	(264)	2,268	2,004
Debt securities issued	(2,085)	308	(1,777)
Borrowings from the central bank	438	(134)	304
Lease liabilities	(15)	(11)	(26)
Changes in interest expense	8,413	4,756	13,169
Changes in net interest income	10,018	(8,714)	1,304

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

(in millions of RMB, except for percentages)	April to June 2023			January to March 2023		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	6,261,059	67,313	4.31	6,183,215	67,279	4.41
Investments	2,448,336	19,669	3.22	2,421,339	19,529	3.27
Balances with the central bank	575,584	2,402	1.67	579,922	2,357	1.65
Balances and placements with banks and other financial institutions	647,903	4,606	2.85	616,065	4,179	2.75
Total	9,932,882	93,990	3.80	9,800,541	93,344	3.86

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	7,921,458	32,167	1.63	7,735,110	30,288	1.59
Deposits and placements from banks and other financial institutions	970,699	5,233	2.16	975,123	4,731	1.97
Debt securities issued	259,326	2,015	3.12	244,707	1,853	3.07
Borrowings from the central bank	160,072	870	2.18	178,586	932	2.12
Lease liabilities	12,836	118	3.69	12,931	131	4.11
Total	9,324,391	40,403	1.74	9,146,457	37,935	1.68
Net interest income	/	53,587	/	/	55,409	/
Net interest spread	/	/	2.06	/	/	2.18
Net interest margin	/	/	2.16	/	/	2.29

In the second quarter of 2023, the net interest margin and the net interest spread of the Group were 2.16% and 2.06%, respectively, representing a quarter-to-quarter decrease of 13 and 12 basis points, respectively. For the analysis of the reasons behind the decrease in the net interest margin, please refer to 3.9.1 "Net interest margin" in this chapter.

3.2.6 Net non-interest income

During the reporting period, the Group recorded a net non-interest income of RMB69.469 billion, representing a year-on-year decrease of 2.68%. The components are as follows:

Net fee and commission income amounted to RMB47.091 billion, representing a year-on-year decrease of 11.82%. Among the fee and commission income, fee and commission income from wealth management amounted to RMB16.946 billion, representing a year-on-year decrease of 10.21%; fee and commission income from asset management amounted to RMB6.015 billion, representing a year-on-year decrease of 5.11%; income from bank card fees amounted to RMB10.051 billion, representing a year-on-year decrease of 6.12%; income from settlement and clearing fees amounted to RMB7.801 billion, representing a year-on-year decrease of 0.23%; commission income from credit commitment and loan business amounted to RMB3.070 billion, representing a year-on-year decrease of 12.66%; commission income from custody businesses amounted to RMB2.885 billion, representing a year-on-year decrease of 5.25%; and income from others amounted to RMB4.570 billion, representing a year-on-year decrease of 37.54%. For analysis of the reasons for changes in fee and commission income, please refer to "Net non-interest income" in 3.9.2 under this chapter.

Other net non-interest income amounted to RMB22.378 billion, representing a year-on-year increase of 24.46%, of which net profit from changes in fair value amounted to RMB1.814 billion, representing a year-on-year increase of RMB3.372 billion, mainly due to the increase in fair value of bond investment and non-monetary fund investment; net investment income amounted to RMB10.847 billion, representing a year-on-year decrease of 1.41%; the net exchange gain amounted to RMB2.480 billion, representing a year-on-year increase of 44.35%, mainly due to the rise in the exchange rate of foreign currencies against RMB which resulted in an increase in the appraisal gains arising from the foreign currency-denominated monetary items; and other net income amounted to RMB5.681 billion, representing a year-on-year increase of 5.95%, mainly due to the increase in income generated from operating leasing business of CMB Financial Leasing.

In terms of business segments, the net non-interest income from retail finance amounted to RMB32.261 billion, representing a year-on-year decrease of 5.28% and accounting for 46.44% of the Group's net non-interest income; the net non-interest income from wholesale finance amounted to RMB28.557 billion, representing a year-on-year decrease of 5.88% and accounting for 41.11% of the Group's net non-interest income; the net non-interest income from other businesses[1] amounted to RMB8.651 billion, representing a year-on-year increase of 23.89% and accounting for 12.45% of the Group's net non-interest income.

(in millions of RMB, except for percentages)	January to June 2023	January to June 2022	Year-on-year changes (%)
Fee and commission income(note)	**51,338**	57,614	-10.89
Fees and commissions from wealth management	**16,946**	18,873	-10.21
Fees and commissions from asset management	**6,015**	6,339	-5.11
Bank card fees	**10,051**	10,706	-6.12
Settlement and clearing fees	**7,801**	7,819	-0.23
Commissions from credit commitment and loan business	**3,070**	3,515	-12.66
Commissions from custody businesses	**2,885**	3,045	-5.25
Others	**4,570**	7,317	-37.54
Fee and commission expense	**(4,247)**	(4,209)	0.90
Net fee and commission income	**47,091**	53,405	-11.82
Other net non-interest income	**22,378**	17,980	24.46
Other net income	**20,822**	16,524	26.01
Net profit/(loss) from fair value change	**1,814**	(1,558)	N/A
Net investment income	**10,847**	11,002	-1.41
Net exchange gain	**2,480**	1,718	44.35
Other net income	**5,681**	5,362	5.95
Share of profits of joint ventures and associates	**1,556**	1,456	6.87
Total net non-interest income	**69,469**	71,385	-2.68

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

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

3.2.7 Operating expenses

During the reporting period, the Group's operating expenses amounted to RMB56.372 billion, representing a year-on-year increase of 4.44%, among which staff costs amounted to RMB35.968 billion, representing an increase of 4.99% and other operating expenses amounted to RMB20.404 billion[2], representing an increase of 3.47% as compared with the corresponding period of the previous year. The Group's steadfast input in Fintech construction safeguarded the development of digital infrastructure and the allocation of IT human resources, progressively accelerating digital transformation. During the reporting period, the Group's cost-to-income ratio was 29.07%, representing an increase of 1.31 percentage points as compared with the corresponding period of the previous year.

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

(in millions of RMB)	January to June 2023	January to June 2022
Staff costs	35,968	34,257
Depreciation, amortisation and rental expenses	8,063	7,694
Other general and administrative expenses	10,831	10,282
Allowances for insurance claims	–	174
Taxes and surcharges	1,510	1,569
Total operating expenses	56,372	53,976

3.2.8 Expected credit losses

During the reporting period, the expected credit losses of the Group were RMB31.059 billion, representing a year-on-year decrease of 25.12%.

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

(in millions of RMB)	January to June 2023	January to June 2022
Loans and advances to customers	27,291	22,795
Financial investments	1,413	9,704
Amounts due from banks and other financial institutions	931	(2,594)
Expected credit losses relating to financial guarantees and loan commitments	1,328	8,250
Others	96	3,322
Total expected credit losses	31,059	41,477

The Group further consolidated the basis for the implementation of the expected credit loss method, and followed the IFRS9 to prudently make allowances for credit risk losses by using the expected credit loss model and the risk quantification parameters such as the probability of customer defaults and the loss given defaults, after taking into consideration the adjustments in macro perceptiveness. During the reporting period, expected credit losses of loans and advances to customers of the Group were RMB27.291 billion, representing a year-on-year increase of RMB4.496 billion, mainly due to the increase in the scale of loans and changes in the risks of individual real estate customers. Expected credit losses relating to financial investment amounted to RMB1.413 billion, representing a year-on-year decrease of RMB8.291 billion. Expected credit losses relating to financial guarantees and loan commitments amounted to RMB1.328 billion, representing a year-on-year decrease of RMB6.922 billion. Both businesses recorded a significant decrease as compared with the corresponding period of the previous year, mainly due to the decrease in the allowances recognised during the reporting period as compared with the corresponding period of the previous year based on their relatively stable asset quality and previous allowance basis; expected credit losses relating to amounts due from banks and other financial institutions amounted to RMB931 million, representing a year-on-year increase of RMB3.525 billion, mainly due to the increase in the scale of assets; other expected credit losses amounted to RMB96 million, representing a year-on-year decrease of RMB3.226 billion, mainly due to the relatively large allowances for credit risk losses of assets such as other receivables in the corresponding period of the previous year.

2 Other operating expenses include depreciation, amortisation, leases, taxes and surcharges, allowances for insurance claims and various other administrative expenses.

3.3 Analysis of Balance Sheet

3.3.1 Assets

As at the end of the reporting period, the total assets of the Group amounted to RMB10,739.836 billion, representing an increase of 5.93% as compared with the end of the previous year, which was mainly attributable to the increase in loans and advances to customers and financial investment of the Group.

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

(in millions of RMB, except for percentages)	30 June 2023		31 December 2022	
	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Total loans and advances to customers	**6,355,439**	**59.18**	6,051,459	59.69
Allowances for impairment losses on loans	**(269,024)**	**(2.50)**	(254,913)	(2.51)
Net loans and advances to customers	**6,086,415**	**56.68**	5,796,546	57.18
Investment securities and other financial assets	**3,016,589**	**28.09**	2,787,066	27.47
Cash, precious metals and balances with the central bank	**592,812**	**5.52**	605,068	5.97
Inter-bank transactions	**709,230**	**6.60**	630,302	6.22
Goodwill	**9,954**	**0.09**	9,999	0.10
Other assets	**324,836**	**3.02**	309,931	3.06
Total assets	**10,739,836**	**100.00**	10,138,912	100.00

Notes:

(1) "Inter-bank transactions" include deposits and placements with banks and other financial institutions and amounts held under resale agreements. According to the relevant provisions of the Interim Measures for the Administration of Gold Leasing Business (Yin Ban Fa [2022] No. 88) issued by the General Office of the People's Bank of China in July 2022, since 2023, for the gold leasing business carried out between the Group and financial institutions, the lease-out side was adjusted from "precious metals" to "placements with banks and other financial institutions", and the comparative figures are re-presented accordingly.

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

3.3.1.1 Loans and advances to customers

As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB6,355.439 billion, representing an increase of 5.02% as compared with the end of the previous year; total loans and advances to customers accounted for 59.18% of the total assets, representing a decrease of 0.51 percentage point as compared with the end of the previous year. For details of the loans and advances to customers of the Group, please refer to the section 3.4 headed "Analysis of Loan Quality" in this chapter.

3.3.1.2 Investment securities and other financial assets

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

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

(in millions of RMB, except for percentages)	30 June 2023 Amount	30 June 2023 Percentage of the total amount (%)	31 December 2022 Amount	31 December 2022 Percentage of the total amount (%)
Derivative financial assets	**22,675**	**0.75**	18,671	0.67
Financial investments at fair value through profit or loss	**487,716**	**16.17**	423,467	15.19
– Bond investments	**285,294**	**9.46**	215,081	7.72
– Others[note]	**202,422**	**6.71**	208,386	7.47
Debt investments at amortised cost	**1,633,293**	**54.15**	1,536,397	55.13
– Bond investments	**1,559,609**	**51.71**	1,452,499	52.12
– Non-standardised credit asset investments	**114,463**	**3.79**	126,698	4.55
– Others	**663**	**0.02**	648	0.02
– Less: allowances for impairment losses	**(41,442)**	**(1.37)**	(43,448)	(1.56)
Debt investments at fair value through other comprehensive income	**828,485**	**27.46**	771,271	27.67
Equity investments designated at fair value through other comprehensive income	**18,124**	**0.60**	13,416	0.48
Investments in joint ventures and associates	**26,296**	**0.87**	23,844	0.86
Total investment securities and other financial assets	**3,016,589**	**100.00**	2,787,066	100.00

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

Derivative financial instruments

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

(in millions of RMB)	30 June 2023 Notional amount	30 June 2023 Fair value Assets	30 June 2023 Fair value Liabilities	31 December 2022 Notional amount	31 December 2022 Fair value Assets	31 December 2022 Fair value Liabilities
Interest rate derivatives	**1,770,011**	**6,406**	**(6,156)**	1,543,237	6,428	(6,109)
Currency derivatives	**1,057,288**	**15,648**	**(15,794)**	874,230	11,376	(11,671)
Other derivatives	**107,960**	**621**	**(546)**	92,258	867	(856)
Total	**2,935,259**	**22,675**	**(22,496)**	2,509,725	18,671	(18,636)

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

During the reporting period, the flexibility of the RMB exchange rate increased and the interest-rate derivatives market showed a wide range-bound feature. As an integrated market maker in the interbank RMB and foreign exchange market and a quote provider for derivatives in the local currency market, the Group was committed to providing liquidity to the market and maintaining the stability of the market. Meanwhile, by continuously leveraging its professional advantages in financial market derivative transactions, the Group kept up its effort in publicising the "exchange rate risk-neutral" concept, helping customers use trading instruments in the financial market to improve their anti-risk capabilities and facilitating the high-quality development of the real economy.

Financial investments at fair value through profit or loss

As at the end of the reporting period, the balance of the financial investments at fair value through profit or loss of the Group amounted to RMB487.716 billion, with bond and fund investments etc. being the major categories. The investments were made by the Group based on assessments of, among other factors, macro economy, monetary and fiscal policies, industrial policies and market supply and demand, so as to obtain investment income by capturing trading opportunities in the market. During the reporting period, funding was stable in general and treasury yields showed a trend of rising first and then falling. The Group actively expanded its bond investments in the first half of the year, achieving favorable returns. For details, please refer to Note 17(a) to the financial statements.

Debt investments at amortised cost

As at the end of the reporting period, the balance of the Group's debt investments at amortised cost amounted to RMB1,633.293 billion. Among them, the bond investments mainly involved bonds issued by the PRC government and policy banks. This type of investment was held on a long-term basis for the strategic allocation of assets and liabilities of the Group, based on the requirements of interest rate risk management of bank accounts and liquidity management, while taking into account returns and risks. For details, please refer to Note 17(b) to the financial statements.

Debt investments at fair value through other comprehensive income

As at the end of the reporting period, the balance of debt investments at fair value through other comprehensive income of the Group amounted to RMB828.485 billion, with interest rate bonds such as PRC government bonds and policy bank bonds and medium-to-high rating quality debenture bonds being the major categories. This type of investment was based on the Group's research and analysis on the bond market, with the purpose of obtaining investment return by capturing investment and allocation opportunities in the market and constantly optimising asset allocation structure. For details, please refer to Note 17(c) to the financial statements.

Equity investments designated at fair value through other comprehensive income

As at the end of the reporting period, the balance of equity investments designated at fair value through other comprehensive income of the Group amounted to RMB18.124 billion. Such investments were mainly non-trading equity investments held by the Group in the investees over whom the Group had no control, joint control or significant influence. For details, please refer to Note 17(d) to the financial statements.

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

(in millions of RMB)	30 June 2023	31 December 2022
Official authorities	1,725,602	1,600,274
Policy banks	511,456	494,628
Commercial banks and other financial institutions	279,027	232,923
Others	157,303	111,026
Total bond investments	2,673,388	2,438,851

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

Investments in joint ventures and associates

As at the end of the reporting period, the Group's net investments in joint ventures and associates amounted to RMB26.296 billion, up 10.28% as compared with the end of the previous year. For details, please refer to Note 18 and 19 to the financial statements.

3.3.1.3 Goodwill

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

3.3.2 Liabilities

As at the end of the reporting period, the total liabilities of the Group amounted to RMB9,753.923 billion, representing an increase of 6.20% as compared with the end of the previous year, which was primarily attributable to the steady growth of customer deposits as compared with the end of the previous year.

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

(in millions of RMB, except for percentages)	30 June 2023		31 December 2022	
	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Deposits from customers	8,030,232	82.33	7,535,742	82.05
Inter-bank transactions	899,036	9.22	957,657	10.42
Borrowings from the central bank	157,372	1.61	129,438	1.41
Financial liabilities at fair value through profit or loss and derivative financial liabilities	74,092	0.76	67,780	0.74
Debt securities issued	263,934	2.71	222,288	2.42
Others	329,257	3.37	271,769	2.96
Total liabilities	9,753,923	100.00	9,184,674	100.00

Notes:

(1) "Inter-bank transactions" including deposits and placements from banks and other financial institutions and amounts sold under repurchase agreements. According to the relevant provisions of the Interim Measures for the Administration of Gold Leasing Business (Yin Ban Fa [2022] No. 88) issued by the General Office of the People's Bank of China in July 2022, since 2023, for the gold leasing business carried out between the Group and financial institutions, the lease-in side was adjusted from "financial liabilities at fair value through profit or loss" to "placements from banks and other financial institutions", and the comparative figures are re-presented accordingly.

(2) "Others" including salaries and welfare payable, taxes payable, contract liabilities, lease liabilities, expected liabilities, deferred income tax liabilities, interest payable and other liabilities.

Deposits from customers

As at the end of the reporting period, total deposits from customers of the Group amounted to RMB8,030.232 billion, representing an increase of 6.56% as compared with the end of the previous year. Deposits from customers, accounting for 82.33% of the total liabilities of the Group, were the major funding source of the Group.

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

(in millions of RMB, except for percentages)	30 June 2023		31 December 2022	
	Amount	Percentage of the total amount (%)	Amount	Percentage of the total amount (%)
Corporate customer deposits				
Demand	2,797,577	34.84	2,762,671	36.66
Time	1,918,226	23.89	1,668,882	22.15
Subtotal	4,715,803	58.73	4,431,553	58.81
Deposits from retail customers				
Demand	1,902,835	23.69	1,983,364	26.32
Time	1,411,594	17.58	1,120,825	14.87
Subtotal	3,314,429	41.27	3,104,189	41.19
Total deposits from customers	8,030,232	100.00	7,535,742	100.00

During the reporting period, the percentage of daily average balance of the demand deposits to that of the total deposits from customers of the Group was 59.06%, representing a decrease of 2.57 percentage points as compared with the previous year. Among these, the daily average balance of corporate demand deposits accounted for 58.55% of that of the corporate deposits, representing a decrease of 1.43 percentage points as compared with the previous year; the daily average balance of retail demand deposits accounted for 59.80% of that of the retail deposits, representing a decrease of 4.63 percentage points as compared with the previous year. The decrease in the proportion of demand deposits was mainly due to the fact that during the reporting period, the level of liquidity activities of enterprises had not been significantly improved, the savings demand of residents remained rigid, and the whole market showed a trend towards time deposits. Due to these factors, the Group's time deposits maintained rapid growth.

3.3.3 Shareholders' equity

As at the end of the reporting period, the Group's equity attributable to shareholders of the Bank was RMB977.126 billion, representing an increase of 3.34% as compared with the end of the previous year, among which retained profits amounted to RMB522.383 billion, representing an increase of 5.97% as compared with the end of the previous year; investment revaluation reserve amounted to RMB11.460 billion, representing a decrease of 3.00% as compared with the end of the previous year, mainly due to the decrease in the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income as compared with the end of the previous year; exchange difference on translation of foreign currency statement amounted to RMB4.059 billion, representing an increase of RMB2.050 billion as compared with the end of the previous year, mainly due to the fluctuations in RMB exchange rate.

3.4 Analysis of Loan Quality

3.4.1 Distribution of loans by 5-tier loan classification

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

	30 June 2023		31 December 2022	
(in millions of RMB, except for percentages)	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
Normal	6,229,666	98.03	5,919,985	97.83
Special mention	65,132	1.02	73,470	1.21
Substandard	21,501	0.33	22,770	0.38
Doubtful	26,636	0.42	23,737	0.39
Loss	12,504	0.20	11,497	0.19
Total loans and advances to customers	6,355,439	100.00	6,051,459	100.00
Non-performing loans	60,641	0.95	58,004	0.96

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

During the reporting period, the Group insisted on strict classification of asset risks to reflect the asset quality genuinely. On the one hand, affected by the risk release of some of our high-debt real estate customers, as at the end of the reporting period, the balance of the Group's non-performing loans amounted to RMB60.641 billion, representing an increase of RMB2.637 billion as compared with the end of the previous year, with a non-performing loan ratio of 0.95%, representing a decrease of 0.01 percentage point as compared with the end of the previous year. On the other hand, with the domestic economy showing a positive trend of recovery, the balance of the Group's special-mentioned loans amounted to RMB65.132 billion, representing a decrease of RMB8.338 billion as compared with the end of the previous year; the special-mentioned loan ratio was 1.02%, representing a decrease of 0.19 percentage point as compared with the end of the previous year.

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

(in millions of RMB, except for percentages)	30 June 2023				31 December 2022			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]
Corporate loans	2,576,860	40.54	32,666	1.27	2,375,616	39.26	29,961	1.26
Working capital loans	933,535	14.68	7,997	0.86	821,269	13.57	9,562	1.16
Fixed asset loans	866,184	13.63	17,398	2.01	864,880	14.29	14,123	1.63
Trade finance	325,319	5.12	79	0.02	289,605	4.79	330	0.11
Others[2]	451,822	7.11	7,192	1.59	399,862	6.61	5,946	1.49
Discounted bills[3]	449,034	7.07	–	–	514,054	8.49	–	–
Retail loans	3,329,545	52.39	27,975	0.84	3,161,789	52.25	28,043	0.89
Micro-finance loans	710,893	11.19	3,977	0.56	631,038	10.43	4,031	0.64
Residential mortgage loans	1,378,562	21.69	4,865	0.35	1,389,208	22.96	4,904	0.35
Credit card loans	905,889	14.25	15,201	1.68	884,519	14.62	15,650	1.77
Others[4]	334,201	5.26	3,932	1.18	257,024	4.24	3,458	1.35
Total loans and advances to customers	6,355,439	100.00	60,641	0.95	6,051,459	100.00	58,004	0.96

Notes:

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

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

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

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

With regard to corporate loans, the Group thoroughly implemented the national macroeconomic policies, increased its support to the real economy, steadily promoted optimisation of the structure of customers, and continuously strengthened the origination of high-quality assets and loans granted to them, thereby maintaining a generally stable asset quality. As at the end of the reporting period, the balance of the Group's corporate loans amounted to RMB2,576.860 billion, representing an increase of 8.47% as compared with the end of the previous year, with corporate loans accounting for 40.54% of total loans, representing an increase of 1.28 percentage points as compared with the end of the previous year. As affected by the risk exposure of some high-debt real estate enterprises and individual corporate customers with poor management, the balance of non-performing corporate loans amounted to RMB32.666 billion, representing an increase of RMB2.705 billion as compared with the end of the previous year; and the non-performing loan ratio of corporate loans was 1.27%, up by 0.01 percentage point as compared with the end of the previous year.

With regard to retail loans, the Group actively promoted the innovation of products and business models, accelerated the origination of high-quality assets, and continuously increased credit support for small- and micro-sized customers. At the same time, the Group adhered to its "stable and low-volatility" transformation strategy to focus on value-based customer acquisition, optimise the customer base and asset structure, and steadily develop our credit card business. As at the end of the reporting period, the balance of the Group's retail loans amounted to RMB3,329.545 billion, representing an increase of 5.31% as compared with the end of the previous year, with retail loans accounting for 52.39% of total loans, representing an increase of 0.14 percentage point as compared with the end of the previous year. Among them, the balance of micro-finance loans amounted to RMB710.893 billion, representing an increase of 12.65% as compared with the end of the previous year. During the reporting period, the domestic economy showed a recovery trend, and the non-performing ratios of micro-finance loans and credit card loans both decreased as compared with the end of the previous year. As at the end of the reporting period, the balance of non-performing retail loans amounted to RMB27.975 billion, representing a decrease of RMB68 million as compared with the end of the previous year, with a non-performing loan ratio of 0.84%, down by 0.05 percentage point as compared with the end of the previous year. Among them, the balance of non-performing credit card loans amounted to RMB15.201 billion, representing a decrease of RMB449 million as compared with the end of the previous year; and the non-performing loan ratio of credit card loans was 1.68%, down by 0.09 percentage point as compared with the end of the previous year.

3.4.3 Distribution of loans and non-performing loans by industry

(in millions of RMB, except for percentages)	30 June 2023				31 December 2022			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(1)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(1)
Corporate loans	2,576,860	40.54	32,666	1.27	2,375,616	39.26	29,961	1.26
Transportation, storage and postal services	514,069	8.09	1,013	0.20	492,248	8.14	948	0.19
Property development	355,764	5.60	19,644	5.52	375,980	6.21	15,348	4.08
Manufacturing	549,976	8.65	3,866	0.70	465,712	7.70	4,781	1.03
Production and supply of electric power, heat, gas and water	241,930	3.81	520	0.21	212,893	3.52	468	0.22
Leasing and commercial services	186,901	2.94	1,534	0.82	161,750	2.67	1,784	1.10
Wholesale and retail	185,071	2.91	1,348	0.73	180,709	2.99	1,836	1.02
Finance	134,417	2.11	408	0.30	112,114	1.85	440	0.39
Construction	117,798	1.85	411	0.35	105,770	1.75	435	0.41
Information transmission, software and IT service	99,478	1.57	424	0.43	89,858	1.48	406	0.45
Water conservancy, environment and public utilities	64,460	1.01	117	0.18	64,996	1.07	100	0.15
Mining	45,305	0.71	573	1.26	40,495	0.67	521	1.29
Others(2)	81,691	1.29	2,808	3.44	73,091	1.21	2,894	3.96
Discounted bills	449,034	7.07	–	–	514,054	8.49	–	–
Retail loans	3,329,545	52.39	27,975	0.84	3,161,789	52.25	28,043	0.89
Total loans and advances to customers	6,355,439	100.00	60,641	0.95	6,051,459	100.00	58,004	0.96

Notes:

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

(2) Consists primarily of agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

The Group continued to improve the quality and efficiency of our services for the real economy, and increased loans extended to the relevant industries such as new growth engines, green economy, high-quality manufacturing industries, regional advantageous and characteristic industries, inclusive finance, sci-tech finance, as well as self-controllable industries to steadily promote the adjustment to the asset structure. As at the end of the reporting period, the balance of our loans extended to the manufacturing industry amounted to RMB549.976 billion, representing an increase of 18.09% as compared with the end of the previous year, accounting for 8.65% of the total loans and advances to customers, up by 0.95 percentage point as compared with the end of the previous year. At the same time, the Group closely tracked changes in internal and external situations, and enhanced risk prevention and control in key areas such as real estate, local government financing platforms and industries under list-based management[3]. During the reporting period, the non-performing loan ratio of the Group in terms of the real estate, water conservancy, environment and public utilities management as well as transportation, storage and postal industries increased due to the risk exposure of heavily-indebted real estate enterprises and individual corporate customers with poor management.

3 In 2023, the Company renamed the industries under classified management as industries under list-based management, with the scope of the industries adjusted as well. In 2023, the industries under list-based management consisted of 14 industries, i.e. glass manufacturing, textile and chemical fiber, synthetic material manufacturing, steel trade, iron and steel (long process), metal mining and processing, chemical fertilizer, basic chemical industry, coal chemical industry, coal trade, coal, non-ferrous metal smelting and rolling (excluding electrolytic aluminium), financial leasing and commercial leasing.

3.4.4 Distribution of loans and non-performing loans by region

(in millions of RMB, except for percentages)	30 June 2023				31 December 2022			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(1)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(1)
Head Office(2)	959,328	15.09	17,370	1.81	942,006	15.57	17,811	1.89
Yangtze River Delta	1,408,850	22.17	12,430	0.88	1,338,769	22.12	10,532	0.79
Bohai Rim	877,486	13.81	5,864	0.67	828,311	13.69	5,118	0.62
Pearl River Delta and West Side of Taiwan Strait	1,138,320	17.91	4,354	0.38	1,087,410	17.97	4,673	0.43
North-eastern China	179,374	2.82	2,157	1.20	169,566	2.80	2,020	1.19
Central China	661,954	10.42	7,896	1.19	641,554	10.60	8,048	1.25
Western China	662,514	10.42	5,615	0.85	633,129	10.46	5,468	0.86
Overseas	83,919	1.32	917	1.09	78,567	1.30	544	0.69
Subsidiaries	383,694	6.04	4,038	1.05	332,147	5.49	3,790	1.14
Total loans and advances to customers	6,355,439	100.00	60,641	0.95	6,051,459	100.00	58,004	0.96

Notes:

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

(2) The Head Office includes Credit Card Centre.

With respect to China's national strategy to promote coordinated development of regional economies, the Group deepened its research on regional advantageous industries and sectors and enhanced credit policy support and resource allocation for key construction projects in the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Bohai Rim Region. Meanwhile, the Group continued to promote its research on regional development under "one branch, one policy" principle as well as the "flywheel" coordinated development of its subsidiaries, formulating differentiated management strategies, and closely preventing against regional systemic risks.

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

(in millions of RMB, except for percentages)	30 June 2023				31 December 2022			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(note)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(note)
Credit loans	2,409,890	37.91	22,277	0.92	2,219,635	36.68	21,662	0.98
Guaranteed loans	909,262	14.31	19,795	2.18	836,550	13.82	16,698	2.00
Collateralised loans	2,201,579	34.64	13,448	0.61	2,132,337	35.24	14,246	0.67
Pledged loans	385,674	6.07	5,121	1.33	348,883	5.77	5,398	1.55
Discounted bills	449,034	7.07	–	–	514,054	8.49	–	–
Total loans and advances to customers	6,355,439	100.00	60,641	0.95	6,051,459	100.00	58,004	0.96

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

As at the end of the reporting period, the Group's collateralised loans and pledged loans, guaranteed loans and the credit loans increased by 4.27%, 8.69% and 8.57% respectively as compared with the end of the previous year.

3.4.6 Loans to the top ten single borrowers

(in millions of RMB, except for percentages)

Top ten borrowers	Industry	Loan and advance balance as at 30 June 2023	Percentage of net capital (under the Advanced Measurement Approach) (%)	Percentage of total loans and advances (%)
A	Finance	**21,500**	1.98	0.34
B	Transportation, storage and postal services	**19,409**	1.79	0.31
C	Transportation, storage and postal services	**15,200**	1.40	0.24
D	Transportation, storage and postal services	**14,847**	1.37	0.23
E	Transportation, storage and postal services	**13,535**	1.25	0.21
F	Transportation, storage and postal services	**11,000**	1.01	0.17
G	Property development	**10,354**	0.95	0.16
H	Transportation, storage and postal services	**9,900**	0.91	0.16
I	Transportation, storage and postal services	**9,600**	0.88	0.15
J	Manufacturing	**8,792**	0.81	0.14
Total		**134,137**	**12.35**	**2.11**

As at the end of the reporting period, the loan balance of the Group's largest single borrower amounted to RMB21.500 billion, representing 1.98% of the Group's net capital under the Advanced Measurement Approach. As at the end of the reporting period, the loan balance of the Group's top ten single borrowers totalled to RMB134.137 billion, representing 12.35% of the Group's net capital under the Advanced Measurement Approach, 12.69% of the Group's net capital under the Weighted Approach, and 2.11% of the Group's total loans and advances, respectively.

3.4.7 Distribution of loans by overdue term

(in millions of RMB, except for percentages)	30 June 2023		31 December 2022	
	Loan and advance balance	Percentage of total loans (%)	Loan and advance balance	Percentage of total loans (%)
Overdue within 3 months	**32,686**	**0.51**	37,207	0.61
Overdue from 3 months up to 1 year	**28,225**	**0.44**	26,669	0.44
Overdue from 1 year up to 3 years	**13,691**	**0.22**	9,810	0.16
Overdue more than 3 years	**5,119**	**0.08**	4,599	0.08
Total overdue loans	**79,721**	**1.25**	78,285	1.29
Total loans and advances to customers	**6,355,439**	**100.00**	6,051,459	100.00

As at the end of the reporting period, overdue loans of the Group amounted to RMB79.721 billion, up by RMB1.436 billion from the end of the previous year and accounting for 1.25% of its total loans, representing a decrease of 0.04 percentage point as compared with the end of the previous year. During the reporting period, the balance of loans overdue within 3 months decreased by RMB4.521 billion as compared with the end of the previous year, with the percentage down by 0.10 percentage point as compared with the end of the previous year. Of the overdue loans, collateralised and pledged loans accounted for 29.15%; guaranteed loans accounted for 27.42%; and credit loans accounted for 43.43% (the majority of which were overdue loans of credit cards). The Group adopted prudent classification criteria for overdue loans, and the ratio of non-performing loans to the loans overdue for more than 90 days was 1.29, and the Company's ratio of non-performing loans to the loans overdue for more than 60 days was 1.08.

3.4.8 Restructured loans

(in millions of RMB, except for percentages)	30 June 2023		31 December 2022	
	Loan balance	Percentage of total loans and advances (%)	Loan balance	Percentage of total loans and advances (%)
Restructured loans(note)	14,130	0.22	12,076	0.20
Of which: restructured loans overdue more than 90 days	7,700	0.12	5,207	0.09

Note: Represents the restructured non-performing loans.

The Group imposed strict and prudent control over loan restructuring. As at the end of the reporting period, the percentage of the Group's restructured loans to total loans was 0.22%, up by 0.02 percentage point as compared with the end of the previous year.

3.4.9 Repossessed assets and impairment allowances

As at the end of the reporting period, the balance of repossessed assets (other than financial instruments) of the Group amounted to RMB604 million. After deducting the impairment allowances of RMB156 million, the net carrying value amounted to RMB448 million. The balance of repossessed financial instruments amounted to RMB4.456 billion.

3.4.10 Changes in the allowances for impairment losses on loans

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

(in millions of RMB)	January to June 2023	2022
Balance as at the end of the previous year	261,476	246,104
Charge/release for the period	27,291	45,157
Unwinding of discount on impaired loans and advances	(156)	(386)
Recovery of loans previously written off	4,569	8,972
Write-offs/disposal for the period	(22,389)	(39,087)
Foreign exchange rate movements	656	716
Balance as at the end of the period	271,447	261,476

The Group continued to adopt a stable and prudent policy in respect of making allowances. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Group amounted to RMB271.447 billion, representing an increase of RMB9.971 billion as compared with the end of the previous year. The allowance coverage ratio was 447.63%, representing a decrease of 3.16 percentage points as compared with the end of the previous year; the allowance-to-loan ratio was 4.27%, representing a decrease of 0.05 percentage point as compared with the end of the previous year. For details of the changes in allowances for impairment losses on loans, please refer to Note 16(c) to the financial statements.

3.5 Analysis of Capital Adequacy

3.5.1 Capital regulatory requirements

The Group continued to optimise its business structure and enhance its capital management. In accordance with the capital requirements of the PRC banking regulatory authorities and additional capital and leverage ratio requirements under the Supplementary Regulatory Rules for Systemically Important Banks (Trial), the capital adequacy ratio, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio of the Group and the Company shall be no less than 11.25%, 9.25% and 8.25% respectively, and the leverage ratio shall be no less than 4.375%. As at the end of the reporting period, the Group and the Company have consistently met the regulatory requirements for capital and leverage ratio.

3.5.2 Scope for calculating capital adequacy ratio

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

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

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

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

3.5.3 Information on capital adequacy ratio

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach were 13.09%, 14.99% and 17.09% respectively, representing a decrease of 0.59, 0.76 and 0.68 percentage point respectively, as compared with the end of the previous year. The decrease in capital adequacy ratios at all levels was mainly attributable to the effect of cash dividends.

The Group

(in millions of RMB, except for percentages)	**30 June 2023**	31 December 2022	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach[(1)]			
Net core Tier 1 capital	**831,657**	799,352	4.04
Net Tier 1 capital	**952,103**	919,798	3.51
Net capital	**1,085,884**	1,037,942	4.62
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**5,832,508**	5,491,072	6.22
Of which: Credit risk weighted assets	**5,157,137**	4,823,836	6.91
Market risk weighted assets	**97,335**	89,200	9.12
Operational risk weighted assets	**578,036**	578,036	–
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**6,352,309**	5,841,685	8.74
Core Tier 1 capital adequacy ratio	**13.09%**	13.68%	Decreased by 0.59 percentage point
Tier 1 capital adequacy ratio	**14.99%**	15.75%	Decreased by 0.76 percentage point
Capital adequacy ratio	**17.09%**	17.77%	Decreased by 0.68 percentage point
Information on leverage ratio[(2)]			
Balance of adjusted on- and off-balance sheet assets	**12,358,529**	11,569,842	6.82
Leverage ratio	**7.70%**	7.95%	Decreased by 0.25 percentage point

Notes:

(1) The "Advanced Measurement Approach" refers to the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued on 7 June 2012 (same as below). During the parallel run period when the Advanced Measurement Approach for capital measurement is implemented, a commercial bank shall use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios, and comply with the capital floor requirements. The capital floor adjustment coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third (i.e. 2017) and subsequent years during the parallel run period.

(2) The leverage ratio shall be calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated on 12 February 2015. The leverage ratios of the Group were 7.96%, 7.95% and 8.00% respectively as at the end of the first quarter of 2023, the end of 2022 and the end of the third quarter of 2022.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Advanced Measurement Approach were 12.60%, 14.63% and 16.80% respectively, representing a decrease of 0.63, 0.79 and 0.71 percentage point respectively, as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	30 June 2023	31 December 2022	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	**724,088**	701,033	3.29
Net Tier 1 capital	**840,442**	817,387	2.82
Net capital	**965,485**	927,881	4.05
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**5,193,550**	4,925,532	5.44
Of which: Credit risk weighted assets	**4,590,669**	4,330,955	6.00
Market risk weighted assets	**77,304**	69,000	12.03
Operational risk weighted assets	**525,577**	525,577	–
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**5,745,814**	5,299,237	8.43
Core Tier 1 capital adequacy ratio	**12.60%**	13.23%	Decreased by 0.63 percentage point
Tier 1 capital adequacy ratio	**14.63%**	15.42%	Decreased by 0.79 percentage point
Capital adequacy ratio	**16.80%**	17.51%	Decreased by 0.71 percentage point

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Weighted Approach were 11.16%, 12.78% and 14.19% respectively, representing a decrease of 0.36, 0.47 and 0.49 percentage point respectively as compared with the end of the previous year.

The Group

(in millions of RMB, except for percentages)	30 June 2023	31 December 2022	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach(note)			
Net core Tier 1 capital	**831,657**	799,352	4.04
Net Tier 1 capital	**952,103**	919,798	3.51
Net capital	**1,057,292**	1,018,678	3.79
Risk-weighted assets	**7,451,919**	6,941,350	7.36
Core Tier 1 capital adequacy ratio	**11.16%**	11.52%	Decreased by 0.36 percentage point
Tier 1 capital adequacy ratio	**12.78%**	13.25%	Decreased by 0.47 percentage point
Capital adequacy ratio	**14.19%**	14.68%	Decreased by 0.49 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Provisional)" issued on 7 June 2012. Same as below.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Company under the Weighted Approach were 10.61%, 12.31% and 13.72% respectively, representing a decrease of 0.36, 0.48 and 0.50 percentage point respectively as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	30 June 2023	31 December 2022	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach			
Net core Tier 1 capital	**724,088**	701,033	3.29
Net Tier 1 capital	**840,442**	817,387	2.82
Net capital	**936,849**	908,572	3.11
Risk-weighted assets	**6,826,072**	6,390,196	6.82
Core Tier 1 capital adequacy ratio	**10.61%**	10.97%	Decreased by 0.36 percentage point
Tier 1 capital adequacy ratio	**12.31%**	12.79%	Decreased by 0.48 percentage point
Capital adequacy ratio	**13.72%**	14.22%	Decreased by 0.50 percentage point

3.5.4 Measurement of credit risk capital

Balance of credit risk exposures

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

(in millions of RMB)	Type of risk exposure	30 June 2023 Legal person	30 June 2023 Group
Portion covered by the IRB approach	Financial institution	**1,330,140**	**1,330,140**
	Corporate	**2,611,123**	**2,611,123**
	Retail	**3,903,849**	**3,903,849**
	Of which: Residential mortgage	**1,372,616**	**1,372,616**
	Qualified revolving retail	**1,859,860**	**1,859,860**
	Other retail	**671,373**	**671,373**
Portion not covered by the IRB approach	On-balance sheet	**4,097,417**	**4,682,578**
	Off-balance sheet	**195,358**	**218,337**
	Counterparty	**33,593**	**34,393**

Balance of asset securitisation risk exposures

The Group uses the Standardised Measurement Approach to calculate its capital requirements of asset securitisation risk exposures. Risk weight is determined according to the credit ratings of eligible external rating institutions and the type of asset securitisation. As at the end of the reporting period, the capital requirement of asset securitisation risk exposure of the Group was RMB2.152 billion and the risk-weighted assets were RMB26.899 billion. As at the end of the reporting period, the balance of the asset securitisation risk exposures of the Group was as follows.

Item (in millions of RMB)	30 June 2023 Traditional	30 June 2023 Synthetic
Balance of on-balance sheet asset securitisation risk exposures	**11,578**	–
Balance of off-balance sheet asset securitisation risk exposures	**258**	–

Information on credit risk mitigation

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

Type of risk exposure (in millions of RMB)	30 June 2023 Eligible financial collaterals	Other eligible collaterals	Eligible guarantees and credit derivative instruments	Others
On-balance sheet credit risk	173,035	2,199,821	648,072	–
Off-balance sheet credit risk	355,173	8,123	114,428	–
Counterparty credit risk	22,448	–	–	–

3.5.5 Measurement of market risk capital

The Group uses mixed approaches to calculate its market risk capital requirement. Specifically, it uses the Internal Model-based Approach to calculate the general market risk capital requirement of the Company (excluding overseas branches), and uses the Standardised Measurement Approach to calculate the general market risk capital requirement of overseas branches and subsidiaries of the Company as well as the specific market risk capital requirement of the Company and its subsidiaries. As at the end of the reporting period, the market risk-weighted assets of the Group were RMB97.335 billion, and the market risk capital requirement was RMB7.787 billion, of which the general market risk capital requirement calculated under the Internal Model-based Approach was RMB5.498 billion, and the market risk capital requirement calculated under the Standardised Measurement Approach was RMB2.289 billion.

The Group's market risk capital requirement under the Internal Model-based Approach was calculated using the market risk value based on 250 days of historical market data, a confidence coefficient of 99% and a holding period of 10 days. The following table sets forth the market risk value indicators of the Group as at the end of the reporting period.

No. (in millions of RMB)	Item	30 June 2023 Distressed market risk value during the reporting period	General market risk value during the reporting period
1	Average value	902	614
2	Maximum value	1,034	911
3	Minimum value	743	399
4	Value at the end of the period	751	584

3.5.6 Measurement of operational risk capital

The Group uses the Standardised Measurement Approach to calculate its operational risk capital requirements. By implementing the Standardised Measurement Approach, the Group preliminarily established a complete operational risk management framework, which enabled us to identify, evaluate, monitor, measure, control and mitigate all kinds of operational risks in a regular and systematic manner, and helped the Group to dynamically control the overall circumstance and the development of operational risks of the Group. Furthermore, the Group enhanced its risk resisting capabilities through adopting control measures and making provision for economic capital. As at the end of the reporting period, the operational risk weighted assets of the Group were RMB578.036 billion and the operational risk capital requirement was RMB46.243 billion.

3.6 Results of Operating Segments

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

Items (in millions of RMB)	January to June 2023 Profit before tax by business segments	January to June 2023 Net operating income	January to June 2022 Profit before tax by business segments	January to June 2022 Net operating income
Retail finance	51,780	98,959	46,403	97,574
Wholesale finance	35,007	72,645	33,485	74,282
Other businesses	4,097	6,861	3,736	7,221
Total	90,884	178,465	83,624	179,077

During the reporting period, profit before tax of retail finance business of the Group amounted to RMB51.780 billion, up by 11.59% year-on-year, accounting for 56.97% of the profit before tax of the Group, representing a year-on-year increase of 1.48 percentage points; net operating income amounted to RMB98.959 billion, up by 1.42% year-on-year, accounting for 55.45% of the net operating income of the Group, representing a year-on-year increase of 0.96 percentage point. At the same time, during the reporting period, the cost-to-income ratio of retail finance business of the Group was 28.47%, representing a year-on-year increase of 0.45 percentage point.

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

3.7 Other Financial Disclosures under the Regulatory Requirements

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

The Group's off-balance sheet items include derivative financial instruments, commitments and contingent liabilities. Commitments and contingent liabilities include credit commitments, leasing commitments, capital commitments, securities underwriting commitments, bonds redemption commitments, outstanding litigations and disputes and other contingent liabilities, among which the credit commitments are the primary component. As at the end of the reporting period, the balance of credit commitments of the Group was RMB2,695.368 billion. For details of the contingent liabilities and commitments, please refer to Note 39 to the financial statements.

3.7.2 Outstanding overdue debts

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

3.8 Implementation of Development Strategies

During the reporting period, the Company focused on the strategic objective of "value creation bank", and adhered to the principle of "quality-oriented, efficiency priority, appropriate scale and reasonable structure", while focusing on value creation and enhancing core competitiveness with continuous efforts.

1. Maintaining dynamically balanced development of "Quality, Efficiency and Scale"

Focusing on the value creation chain of "volume growth – revenue growth – profit growth – value growth", the Company realised dynamically balanced development of "Quality, Efficiency and Scale". The Company maintained stable asset quality, relatively low non-performing loan ratio, strong risk compensation capacity, steady profit growth, and a relatively high level of ROAA and ROAE; and the customer base, assets and liabilities maintained reasonable growth in quantity and effective improvement in quality; retail finance business contributed to more than one-half of both net operating income and profit before tax, and proportion of non-interest income stayed ahead.

2. Continuing to promote the balanced and coordinated development of our four major sectors

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

Continuously consolidating the advantages of retail finance systemisation. Focusing on all customers, all products, all channels, the Company constantly improved the breadth, depth, warmth and precision of services under the concept of "people + digitalisation", thereby further consolidating the overall advantages of the retail business. As at the end of the reporting period, the Company's retail customers reached 190 million in total, representing an increase of 3.26% as compared with the end of the previous year. The balance of deposits from retail customers amounted to RMB3,138.072 billion, representing an increase of 6.17% as compared with the end of the previous year. The Company accelerated the origination of retail credit assets. The balance of retail loans amounted to RMB3,268.263 billion, representing an increase of 5.10% as compared with the end of the previous year, and accounted for 54.62% of the loans and advances to customers of the Company, representing an increase of 0.26 percentage point as compared with the end of the previous year. Due to continued improvement of the debit and credit card integrated customer acquisition and operating efficiency, 64.84% of our credit card customers held both our debit cards and credit cards, up by 0.74 percentage point as compared with the end of the previous year.

Improving the quality and efficiency of serving the real economy by virtue of strengthening differentiated advantages of corporate finance. The Company continued to iterate and optimise the segmentation and classification service system, focusing on building ecological customer acquisition and operation capabilities around core customers, with the aim to give full play to the advantages of integrated services to serve the all-round needs of the real economy. As at the end of the reporting period, the total number of corporate customers reached 2,648,500, representing an increase of 4.85% as compared with the end of the previous year. The balance of deposits from corporate customers amounted to RMB4,599.771 billion, representing an increase of 6.51% as compared with the end of the previous year; and the balance of loans to corporate customers amounted to RMB2,269.623 billion, representing an increase of 8.23% as compared with the end of the previous year. Among them, the balance of our loans extended to the manufacturing industry amounted to RMB524.221 billion, representing an increase of 18.11% as compared with the end of the previous year; the balance of loans extended to technology enterprises[4] was RMB378.014 billion, representing an increase of 16.23% as compared with the beginning of the year; the balance of SME inclusive finance loans was RMB763.129 billion, representing an increase of 12.50% as compared with the end of the previous year; and the balance of green loans amounted to RMB387.899 billion, representing an increase of 9.16% as compared with the end of the previous year.

Constantly improving the professionalism of investment banking and financial markets business. The Company accelerated the transformation of its investment banking business to become a "capital organiser", and continuously improved its business capabilities in terms of bond underwriting and M&A financing. As at the end of the reporting period, the balance of the aggregate financing products to corporate customers (FPA) contributed by the investment banking business increased by 11.98% as compared with the end of the previous year. The self-operated investment and research systems of the financial markets business were continuously improved, and the advantages of the tradings on behalf of customers were further consolidated. During the reporting period, the number of corporate clients involved in tradings on behalf of customers increased by 12.93% year-on-year. The platform-based operation of financial institution customers was promoted continuously. During the reporting period, the Company's online sales of third-party asset management products through "Zhao Ying Tong (招赢通)", an interbank online service platform, amounted to RMB429.831 billion, representing a year-on-year increase of 8.78%. In terms of the bill business, the Company deepened the concept of customer service and continued to enhance the breadth and depth of operation of bill business. During the reporting period, the volume of commercial acceptance bill discounting business ranked first (data from the Commercial Bank Bill Business Association), and both the volume of the discounted bills transferred to other financial institutions and the volume of bill rediscounting also ranked first (data from the China Banking Association).

4 Represents loans granted to technology enterprises such as "specialised, competitive, distinguished and innovative (專精特新)" enterprises, high-tech enterprises and technology-based SMEs by the Company. Due to the expansion of the list of "specialised, competitive, distinguished and innovative (專精特新)" enterprises, national-level high-tech enterprises and technology-based SMEs recognised by the Ministry of Industry and Information Technology and the Ministry of Science and Technology, the opening balance of the loans to technology enterprises at the beginning of the year was adjusted accordingly.

Steadily improving the market competitiveness of the wealth management and asset management. The Company steadily promoted the development of extensive wealth management business. During the reporting period, adhering to the principle of "being customer-centric and creating values for customers", the Company promoted the "CMB TREE Asset Allocation Service System", and introduced industry-representative asset management institutions in the market to provide various and diverse products. As at the end of the reporting period, 144 asset management institutions have been introduced to the "Zhao Cai Hao (招財號)", an open platform of wealth management business of the Company, which builds a service ecosystem with partners and accompany customers throughout their investment journey. As at the end of the reporting period, the balance of total assets under management (AUM) for retail customers of the Company amounted to RMB12.84 trillion, representing an increase of 5.90% as compared with the end of the previous year. The proportion of non-deposits in AUM was as high as 76.48% (daily average calibre by month). Relying on the continuous increase in the market share of agency sales of bank wealth management products and mutual funds, and agency distribution of insurance policies, the proportion of non-deposits in AUM increment increased significantly as compared with the end of the previous year. As at the end of the reporting period, the number of customers holding our wealth products reached 46,633,400, representing an increase of 8.12% as compared with the end of the previous year. The number of customers[5] who conducted asset allocation under the "CMB TREE Asset Allocation Service System" reached 8,651,400, representing an increase of 6.45% as compared with the end of the previous year. As at the end of the reporting period, the number of private banking customers exceeded 140,000. The Group's asset management subsidiaries continued to strengthen the six major capabilities of investment research, asset origination, risk management, technology support, business innovation and talent team. As at the end of the reporting period, the scale of products under management of the Group's subsidiaries reached RMB4.41 trillion. The Company continuously upgraded and enhanced the service model of asset custody business. As at the end of the reporting period, the asset custody business volume reached RMB20.86 trillion, ranking first in the industry (WIND data).

3. Comprehensively promoting the construction of "Digital CMB"

The Company has always adhered to the business development underpinned by technological innovation, and continued to promote the construction of "Digital CMB" around online, data-based, intelligent, platform-based and ecological operation, and further improved the service level of "people + digitalisation" by virtue of intelligent technology, so as to drive the high-quality development of the Company with innovation. During the reporting period, the Company's information technology input amounted to RMB5.206 billion. The ratio of information technology expenses to the Company's net operating income was 3.21%. As of the end of reporting period, the number of the Bank's Fintech innovation projects launched and put into operation reached an aggregate of 3,494 and 2,687, respectively. During the reporting period, 252 new Fintech innovation projects were launched, and 237 new projects were put into operation. The Company continued to promote the exploration of digital transformation across the Bank by supporting Fintech innovation projects.

In terms of digital services for retail finance, the Company continuously improved customer experience through leading innovation capabilities. During the reporting period, the number of monthly active users (MAU) of CMB APP and CMB Life APP reached 111 million. Through the construction of online product matrix, scenario matrix and the self-service system of "people + digitalisation", the transformation of MAU towards AUM and income was promoted. During the reporting period, the credit facility of micro-finance loans applied and granted through the CMB Zhao Dai (招貸) APP, an exclusive service platform for small- and micro-sized customers, reached RMB154.103 billion, thereby effectively optimising the digitalised experience of retail credit customers and promoting the growth of micro-finance loans. Leveraging AI technology, the Company managed to optimise customer experience and improve business efficiency. Through the intelligent wealth assistant "AI Xiao Zhao (AI小招)", the Company provided more convenient and diversified services to retail customers. During the reporting period, the Company served 11,728,800 users via "AI Xiao Zhao (AI小招)", representing a year-on-year increase of 140.84%. The wealth accompanying system provided customers with scenario-based after-sales accompanying services to help customers effectively respond to wealth fluctuations.

5 Refers to the Golden card and Golden Sunflower card holders who have two or more types of wealth management products out of the four types of wealth management products, namely, active money management, security management, prudent investment and aggressive investment.

In terms of wholesale financial digital services, the Company accelerated the online migration and automation of its business. Through the service brand of "Enterprise Digital Financial Butler (企業數字金融管家)", the Company fully covered the recurring services of customers such as accounts management, settlement, financing and foreign exchange. As at the end of the reporting period, the coverage rate of online basic services provided by the Company to corporate customers reached 95.65%. The percentage of financing business conducted online was 89.88%, representing an increase of 7.74 percentage points as compared with the end of the previous year, and the percentage of foreign exchange business conducted online was 73.57%, representing an increase of 8.08 percentage points as compared with the end of the previous year. In the light of the automatic loan review model, "Zhao Qi Dai (招企貸)" realised the online migration of all processes for corporate loans. It took 0.5 working day for the customers from loan application to loan grant at the fastest.

In terms of risk management, the Company made use of Fintech to enhance its digital risk control capability, drove risk decision making with risk data, and improved risk awareness and risk control efficiency. Focusing on the essence of financial risks, and aiming to build a fortress-style overall risk and compliance management system, the Company continued to promote the online and platform-based management of "all risks", accelerated the intelligent process of risk control of "all risks", and improved the synergistic efficiency of risk management. The intelligent risk control platform named "Libra" effectively improved risk management capabilities and guarded the asset security of customers with digital technology. During the reporting period, the percentage of fraud and account takeover amounts by non-cardholders was lowered to 0.1 in ten millionths with the help of "Libra". By consolidating the digital risk control infrastructure, the Company strengthened its support for financing products. During the reporting period, the corporate loans newly granted through the online risk control platform amounted to RMB153.787 billion, representing a year-on-year increase of 107.54%. As at the end of the reporting period, the asset quality of loans granted through the platform was stable and controllable.

In terms of operation management, the Company fully released the value of data assets based on data-driven operation decisions, and comprehensively improved its refined management capabilities. The Company promoted online migration of full-scenario services and operation management such as human resources and finance, which lowered the data application barrier, and improved management efficiency and employee experience. The "digital and intelligent retail（數智零售）", a unified portal platform for retail finance data utilisation, served 15,900 employees in the retail finance sector, which facilitated the Company to consistently achieve low-cost data utilisation, empowering the Bank's digital operation and management. The asset-liability management graph middle office covered billions of detailed data. With high-performance graph computing technology, the employees at Head Office and branches were empowered to conduct in-depth data mining and analysis, saving a total of 31,200 working hours. The deposit forecast model provided accurate prediction on the scale of proprietary deposits and financial institution demand deposits, which reduced the manual forecast error by 70% and saved capital costs of approximately RMB1 billion during the reporting period. The CMBI main indicator database has served a total of 16,900 employees, with an average monthly API (Application Programming Interface) service call volume of 2,404,700 times, which significantly reduced the cost of indicator data application and fully empowered multiple data application scenarios, such as performance appraisal, operation analysis and regulatory reporting. Based on the reimbursement big data, we accelerated the transition to intelligent audit for financial reimbursement, and the reimbursement efficiency increased by 54% compared with the traditional model.

In terms of internal operation, the Company relieved its staff from repetitive, time-consuming work by leveraging technology and consolidated experience with data to achieve an intelligence-driven, agile, open and pioneering digital transformation. The Conch RPA, a Robot Process Automation tool, was used to help lower the labor costs and improve the staff's work efficiency. As of the end of the reporting period, the number of developers on the Conch RPA+ platform reached 3,895, representing an increase of 21.79% as compared with the end of the previous year, of which the business operators accounted for 67.09%. During the reporting period, by leveraging the intelligent applications in scenarios such as Conch RPA, AI intelligent customer service, AI digital people, voice quality inspection, and our staff were relieved from repetitive, time-consuming work equivalent to the workload of over 14,000 full-time individuals.

In terms of digital infrastructure, after stepping into the cloud era in an all-round way, the Company began to focus on cloud architecture transformation and independent control over the infrastructure, achieved the integration of different large-scale technical architectures, built industry-leading financial cloud infrastructure and formed a Shenzhen-Shanghai "two cities, three centers" data center layout, providing the bank-wide businesses with a more flexible, intelligent, secure and reliable IT cornerstone. The Company reconstructed cloud operation and maintenance framework and system, and maintained a high level of availability of the core accounting system and backbone network. As of the end of the reporting period, the overall availability[6] of the cloud platform reached 99.999%. The Company further deepened the construction of technology middle office and digital middle office, accelerated the promotion of sharing developed technologies, built a low-code development system, and improved the R&D efficiency, so as to quickly respond to business needs and lay a foundation for internal innovation, and strengthen enterprise-level data governance to extract more value from data assets. As of the end of the reporting period, the technology middle office of the Company had launched over 5,100 components, and launched over 9,200 applications on the low-code platform. The Company fully extended the coverage of big data services to efficiently empower the staff in operation and management, and as of the end of the reporting period, the big data services covered 60% of the business personnel in the Bank. The Company accelerated the application and promotion of new technologies, enhanced the capacity building of GPT natural language processing large-scale models, and focused on exploring their application in full-process wealth management. The FinGPT Creative Centre was put into operation to speed up the exploration of large-scale model application modes. Five driving engines have been put under construction: intelligent wealth engine, intelligent marketing engine, intelligent operation engine, intelligent risk control engine, and intelligent customer service engine, in order to create an intelligent application platform in this era of intelligence.

4. To continue building a fortress-style overall risk and compliance management system

The Company continued to build the "Six All" risk management system covering "all risks, all institutions, all customers, all assets, all processes, and all factors". To fortify risk management capabilities, the Company launched a number of policies and measures revolving around the strategy of the "dynamic rebalancing" of industries, regions and customer base. By intensifying overall risk management, the Company consolidated centralised customer risk management, optimised the centralised system of credit granting, credit facility management over group customers as well as the limit management of customers granted with large credit facility, and established a branch-based risk profile rating system. To strengthen the motivation and efforts in defusing risks, the Company leveraged on various means such as write-off, collection and securitisation of non-performing assets to defuse risk assets. To bolster internal control and compliance management, the Company took strict precautions against money laundering and sanction risks, thereby nurturing a compliance culture.

5. To comprehensively improve the level of refined management

The Company was built on its persistence in seeking efficiency from management. By building the "Six Good Human Resources Management System (六好人力資源體系)[7]" and further reforming in organisational structure, the Company promoted the reform of operational system of branches, and optimised the structure and management model of Head Office departments. The Company also further enhanced the application of the "Six Can-do[8]" mechanism (六能機制) in its management, so as to enhance the efficiency of human resources allocation through digital construction. To improve the level of refined management of asset and liability, the Company established an asset and liability management system from the perspective of customers and built a performance management system focusing on value creation. The Company boosted the protection of consumers' rights and interests by carrying out the activity of "Year of Service Quality Improvement" and launched the service improvement special project in an effort to address the systemic issues in business and service processes, with the response rate of complaints handled within one hour reaching 98.79%. The Company optimised the shared financial operating model, and built "Zhao Cai Hui (招財慧)" series digital middle office, so as to improve the efficiency of financial management.

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

7 The "Six Good Human Resources Management System (六好人力資源體系)"refers to the establishment of a good banner, a good structure, a good team, a good allocation of management staff, a good incentive, and a good service.

8 The "Six Can-do"mechanism (六能機制) implies that the management staff can be promoted or demoted; remuneration can be increased or decreased; qualified talents can be recruited and those unqualified can be dismissed.

3.9 Key Business Concerns in Operation

3.9.1 Net interest margin

During the reporting period, the Group's net interest margin was 2.23%, representing a decrease of 21 basis points year-on-year; the Company's net interest margin was 2.27%, representing a decrease of 22 basis points year-on-year, and both representing a decrease of 17 basis points over the previous year. In the second quarter of 2023, the Group's net interest margin was 2.16%, representing a decrease of 13 basis points as compared with the first quarter. Such decrease in net interest margin was mainly due to the reasons below. On the asset side, firstly, due to the continuous downturn of the LPR (Loan Prime Rate) and the insufficient effective credit demand, the pricing of newly granted loans has continued to decline, and average loan yields have continuously declined; secondly, market interest rates have been running at low levels, driving a continuous decline in yields of marketised assets such as bond investments and bill discounting; thirdly, although the economy has been recovering, Chinese residents still show a sluggish demand for consumption. As a result, the growth of loans which had relatively high yields, such as credit card loans and residential mortgage loans, slowed down. On the liability side, corporate funds were insufficiently activated, and the growth of low-cost corporate demand deposits such as corporate settlement funds was restricted. Coupled with shift of residents' investment to time deposits due to the disturbance in the capital market, customers' demand for wealth-enhancing features in deposits is on the rise, and the proportion of demand deposits declined, while the cost ratio of liabilities and deposits remained rigid. In order to maintain a relatively stable net interest margin, the Group further strengthened the management of its asset and liability portfolio during the reporting period. On the asset side, the Group persistently focused on loan granting, while increasing the allocation of bonds to improve the efficiency of capital utilisation. On the liability side, the Group focused on driving growth in low-cost core deposits.

Looking forward to the second half of the year, the Group's net interest margin faces both opportunities and challenges. In terms of opportunities, on the one hand, the unchanged momentum of economic recovery and the continuous support of macro policies helped to enhance the confidence of market entities, boost domestic demand and promote liquidity activities, thereby providing a more favorable external macro environment for the development of the banking industry and improving the current situation of the banking industry with problems such as insufficient credit demand, capital redundancy, and the trend towards time deposits. On the other hand, the listed interest rates, the self-regulated ceiling of the interest rate of agreed deposits and call deposits were all lowered to varying degrees, which created a favorable industry environment for the Group to control the cost of deposits, and the condition of rigid deposit costs is expected to be improved. In terms of challenges, the trend of decreasing financing costs for the real economy may continue for a relatively long period of time, and the return on assets is expected to continue declining in the second half of the year.

The Group will actively take measures to maintain the net interest margin at a relatively outstanding level in the industry. On the asset side, the Group will continue to prioritise assets allocation to promote the stable growth of credit scale and increase retail loans, while reinforcing the loan risk pricing management. At the same time, the Group will strengthen its capability in the forward-looking prediction of market interest rates, and flexibly allocate investment assets to improve overall allocation efficiency. On the liability side, the Group will insist on focusing on the growth of low-cost core deposits and strengthen the limit control of high-cost deposits. Meanwhile, the Group will flexibly arrange market-oriented financing and reduce the overall cost of liabilities according to the trend of market interest rates.

3.9.2 Net non-interest income

Facing the current difficulties in the growth of intermediate business, the Group actively sought solutions to the problem. On the one hand, the Group consolidated its customer base, upgraded customer services, and enhanced the market competitiveness of its advantageous businesses. On the other hand, the Group strengthened innovation and forward-looking layout to forge new advantages in segmented areas. During the reporting period, the Group realised net non-interest income of RMB69.469 billion, representing a decrease of 2.68% year-on-year, accounting for 38.93% of net operating income, representing a decrease of 0.93 percentage point year-on-year. Among the Group's net non-interest income, net fee and commission income was RMB47.091 billion, representing a decrease of 11.82% year-on-year, accounting for 67.79% of the net non-interest income; other net non-interest income was RMB22.378 billion, representing an increase of 24.46% year-on-year. During the reporting period, the Group's revenue contributed by extensive wealth management was RMB25.846 billion[9], representing a year-on-year decrease of 8.53%.

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

The major items under the Group's net fee and commission income during the reporting period are analysed as follows. **Fee and commission income from wealth management** amounted to RMB16.946 billion, representing a year-on-year decrease of 10.21%, of which income from agency distribution of insurance policies amounted to RMB9.260 billion, representing a year-on-year increase of 3.07%, which was mainly due to the year-on-year increase in sales volume and proportion of regular insurance business. Income from agency sales of wealth management products was RMB2.590 billion, representing a year-on-year decrease of 25.85%, which was mainly due to the year-on-year decrease in the scale of wealth management products and a decline in fee rate. Income from agency distribution of funds amounted to RMB2.856 billion, representing a year-on-year decrease of 17.79%, which was mainly due to the year-on-year decrease in the holding and sales of equity and hybrid funds. Income from agency distribution of trust schemes amounted to RMB1.703 billion, representing a year-on-year decrease of 25.54%, which was mainly due to the decline in the business volume of agency distribution of trusts and decrease in performance compensation. Income from securities brokerage was RMB374 million, representing a year-on-year decrease of 20.09%, which was mainly due to the continued downturn of Hong Kong's capital market and decrease in trading volume of stocks. **Fee and commission income from asset management** amounted to RMB6.015 billion, representing a year-on-year decrease of 5.11%, which was mainly due to the year-on-year decrease in the product scale under the management of CMB Wealth Management. **Commission income from custody business** was RMB2.885 billion, representing a year-on-year decrease of 5.25%, mainly due to the decrease in the scale of equity mutual funds and wealth management custody. **Income from bank card fees** amounted to RMB10.051 billion, representing a year-on-year decrease of 6.12%, mainly due to the decrease in fee income from offline transaction of credit cards. **Income from settlement and clearing fees** amounted to RMB7.801 billion, representing a year-on-year decrease of 0.23%, mainly due to the decrease in e-payment income.

Looking forward to the second half of the year, the Group will focus on the strategic objective of building a value creation bank, and will actively promote the high-quality growth of the intermediate business. The first is to focus on the mainstay, consolidate the competitive advantages of extensive wealth management business, and continue to strengthen the Group's advantages in retail customer base operation, asset allocation, investment and research capabilities, and custody, so as to improve the priority of advantageous business. The second is to forge capabilities. The Group will continue to deepen industry research, coordinate the Group's resources, seize market opportunities and policy changes, tap into customer needs, and build differentiated competitiveness through product innovation. The third is to accelerate the exploration and implementation of products from cutting-edge fields in response to changes, and actively promote the forward-looking layout of pension finance, green finance, automobile finance and consumer finance, so as to create new growth poles for net non-interest income.

3.9.3 Risk management and control in the real estate sector

During the reporting period, the Group closely followed the national policy guidance and regulatory requirements, accurately comprehended the principles in the "Sixteen Financial Articles (金融十六條)", and adhered to the overall strategy of "defining positioning, stabilising scale, improving access, focusing on regions, adjustment of structure, and strict management" in the real estate sector. Under the premise of controllable risks, the Group seized structural opportunities, focused on high-quality enterprises and high-quality regions, and selected high-quality businesses and projects that can be covered by project cash flow, especially high-quality residential projects and housing leasing projects, so as to support the stable and healthy development of the real estate market. At the same time, the Group unified the risk appetite of on- and off-balance sheet businesses, implemented centralised risk management of customers granted with large credit facility, strictly examined cash flows, and further strengthened post-investment and post-loan management.

As at the end of the reporting period, the Group's total balance of real estate related businesses which were subject to credit risks, such as the actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets amounted to RMB436.083 billion, representing a decrease of 5.88% as compared with the end of the previous year. The Group's total balance of businesses which were not subject to credit risks, such as wealth management fund financing, entrusted loans, agency distribution of trust schemes under the active management by cooperative institutions, and debt financing instruments with the Group as the lead underwriter amounted to RMB247.547 billion, representing a decrease of 17.58% as compared with the end of the previous year. As at the end of the reporting period, the Company's balance of loans granted to the real estate industry was RMB315.011 billion, representing a decrease of RMB18.704 billion as compared with the end of the previous year, accounting for 5.26% of the Company's total loans and advances to customers, representing a decrease of 0.57 percentage point as compared with the end of the previous year. As at the end of the reporting period, the customer structure and regional structure of the Company in respect of real estate related loans have remained stable, among which the balance of loans granted to customers featuring high credit-rating accounted for over 70%; in terms of regions where the projects were located, over 85% of the Company's balance of loans for real estate development was located in the urban areas of first-tier and second-tier cities. As at the end of the reporting period, the Company's non-performing loan ratio of real estate loans was 5.45%, representing an increase of 1.46 percentage points as compared with the end of the previous year, which was mainly due to the combined effect of the further release of risks associated with individual highly indebted real estate customers, slow progress of risk disposal and the decrease in the balance of real estate loans.

In the future, the Group will continue to firmly implement relevant national policies on the real estate industry. Under the backdrop of deepened industry differentiation, the Group will carry out strict access, support rigid and upgrading demand for housing, enhance financial support for housing leasing, and maintain stable and orderly financing for the real estate sector. At the same time, the Group will strengthen risk monitoring and analysis of projects, reasonably identify risks of project's subsidiaries and the holding companies of the Group, and strictly implement post-investment and post-loan management requirements. In accordance with the principles of compliance with laws and regulations, controllable risks and sustainable business, the Group will promote the marketisation of risk mitigation and disposal of real estate enterprises, so as to maintain an overall stable quality of real estate assets.

3.9.4 Deposits from customers

As at the end of the reporting period, the balance of deposits from customers of the Company was RMB7,737.843 billion, representing an increase of RMB463.330 billion or 6.37% as compared with the end of the previous year, which represents progress amid overall stability on the basis of achieving relatively rapid growth in 2022. In the first half of 2023, China's economy recovered with fluctuations, the liquidity activities of enterprises remained insufficient without obvious improvement, and the residents' savings demand remained rigid. Affected by the trend towards time deposits in the whole market, the Company's time deposits maintained rapid growth. The Company maintained a relatively outstanding level of deposit structure by taking various measures such as strengthening customer orientation, extending the deposit classification management mindset, optimising assessment rules and increasing capital retention through integrated operation. During the reporting period, the Company's average daily balance of core deposits[10] was RMB6,560.759 billion, representing an increase of RMB703.008 billion or 12.00% as compared with the end of the previous year, accounting for 86.99% of the average daily balance of customer deposits, representing a decrease of 0.51 percentage point as compared with the previous year, which was maintained stable. The average daily balance of demand deposits was RMB4,522.615 billion, representing an increase of RMB360.081 billion or 8.65% as compared with the end of the previous year, accounting for 59.96% of the average daily balance of customer deposits, representing a decrease of 2.22 percentage points as compared with the previous year. As at the end of the reporting period, the balance of structured deposits of the Company amounted to RMB265.933 billion, representing an increase of RMB23.169 billion as compared with the end of the previous year, accounting for 3.44% of the balance of deposits from customers and representing an increase of 0.10 percentage point as compared with the end of the previous year.

Looking forward to the second half of the year, with the increasingly fierce competition for deposits acquisition among commercial banks, the trend towards time deposits is likely to continue. In order to effectively respond to the challenges in cost control of deposits and constantly promote high-quality growth of deposits, the Company will take the following measures. Firstly, the Company will continue to strengthen internal management, adhere to the priority of growth in core deposits, and promote further optimisation of the deposit structure. Secondly, the Company will constantly expand the size of customer base while enhancing the operation of existing customer base so as to broaden the sources of deposits. Thirdly, the Company will increase the proportion of settlement-based deposits and maintain the favorably high proportion of demand deposits. Fourthly, the Company will continue to strengthen the volume and price control of high-cost deposits to cope with the pressure of rising deposit costs.

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

3.9.5 Assets allocation

During the reporting period, the Company closely followed policies and market changes and took multiple measures to strengthen the asset origination. As at the end of the reporting period, the Company's total loans and advances to customers amounted to RMB5,983.438 billion, representing an increase of 4.59% as compared with the end of the previous year, accounting for 59.79% of the total assets of the Company, representing a decrease of 0.36 percentage point as compared with the end of the previous year. Among them, retail loans were RMB3,268.263 billion, representing an increase of 5.10% as compared with the end of the previous year, accounting for 54.62% of the loans and advances to customers of the Company, representing an increase of 0.26 percentage point as compared with the end of the previous year. The growth rate of retail loans increased year-on-year, mainly because the social production and livelihood have returned to normal in the first half of the year, driving retail customers' loan demands to release. The Company proactively responded to the changes in the market and made efforts to promote the growth of loan businesses such as micro-finance loans, consumer loans and credit card loans. Meanwhile, the Company supported the reasonable personal housing demands and promoted the steady development of residential mortgage loans. Corporate loans amounted to RMB2,269.623 billion, representing an increase of 8.23% as compared with the end of the previous year, accounting for 37.93% of the loans and advances to customers of the Company, representing an increase of 1.27 percentage points as compared with the end of the previous year. The faster growth of corporate loans was mainly attributable to the economic recovery in China in the first half of the year which drove up enterprises' financing demands year-on-year and the Company's continuously increased support to key areas of the real economy. During the reporting period, the Company's new corporate loans were mainly granted to key areas such as manufacturing, inclusive finance, green economy and sci-tech finance. As at the end of the reporting period, the bonds investment of the Company amounted to RMB2,423.699 billion, representing an increase of 8.58% as compared with the end of the previous year, accounting for 24.22% of the total assets of the Company, representing an increase of 0.75 percentage point as compared with the end of the previous year.

In the second half of the year, the Company will continuously pay attention to changes in internal and external operating environment and strengthen the effective asset origination. In terms of retail loans, with enhanced risk control and management, the Company will continue to promote the growth of micro-finance loans, consumer loans and credit-card loans, while keeping up with the changes in the real estate market and maintaining the scale of residential mortgage loans in a relatively steady manner. In terms of corporate loans, the Company will closely follow the national industrial policies and continue to enhance the origination of corporate credit assets, constantly push forward the structural adjustment of corporate customers, focus on key sectors including digital and intelligent finance, sci-tech finance, green finance, intelligent manufacturing finance, cross-border finance, inclusive finance and industrial finance[11], effectively put the credit resources to the key areas of the real economy, and meanwhile effectively meet the reasonable financing demands of real estate companies. In terms of bond investment, the Company will, taking into account both risks and returns, follow the trend of interest rates in the domestic and foreign currency markets in a forward-looking manner, seize the market investment opportunities, allocate investment assets reasonably to further improve the efficiency of the use of funds.

3.9.6 The formation and disposal of non-performing assets

During the reporting period, the Company formed new non-performing loans of RMB30.509 billion, representing a year-on-year decrease of RMB193 million; the formation ratio of non-performing loans was 1.04% (annualised), representing a year-on-year decrease of 0.09 percentage point. From the perspective of major business categories, the amount of newly formed non-performing corporate loans was RMB5.693 billion, representing a year-on-year decrease of RMB3.380 billion. The amount of newly formed non-performing retail loans (excluding credit cards) was RMB4.369 billion, representing a year-on-year increase of RMB788 million. The amount of newly formed non-performing credit card loans was RMB20.447 billion, representing a year-on-year increase of RMB2.399 billion. From the perspective of regions, the formation of the Company's non-performing loans was mainly distributed in the Yangtze River Delta, Bohai Rim region and Head Office (credit card loans). From the perspective of industries, the formation of the Company's non-performing loans was mainly concentrated in the real estate industry. From the perspective of customer base, the formation of the Company's non-performing loans was concentrated in medium-sized enterprises according to national standards.

11 Industry finance refers to the Company's effective integration of internal and external industry specialisation capabilities where the Bank further broadens its understanding of the industry and the industry chain, and launches a package of comprehensive service plans such as products, business models and credit policies for specific industries, so as to build a financial brand in the industry.

The Company continued to consolidate the foundation for implementation of the expected credit loss method and had always adhered to value customer selection, optimised the asset portfolio allocation, made adequate risk compensation and maintained strong risk resistance ability. As of the end of the reporting period, the balance of the Company's allowances for impairment losses on loans was RMB263.618 billion, representing an increase of RMB10.205 billion as compared with the end of the previous year. The allowance coverage ratio was 465.73%, representing a decrease of 1.70 percentage points as compared with the end of the previous year. The allowance-to-loan ratio was 4.41%, representing a decrease of 0.02 percentage point as compared with the end of the previous year. During the reporting period, the credit cost ratio was 0.90% (annualised), representing a year-on-year increase of 0.07 percentage point.

During the reporting period, the Company played an active role in the disposal of non-performing loans, taking various approaches to reduce and dispose of risk assets. During the reporting period, the disposal of non-performing loans by the Company amounted to RMB28.278 billion, of which RMB11.051 billion was written off, RMB11.376 billion was securitised, RMB5.637 billion was recovered by collection, and RMB214 million was disposed of by other means such as repossession, transfer, restructuring, upward migration and remission.

Currently, the external environment is in a complex and severe situation, with the international economy, trade and investment slowing down and the international financial market becoming more volatile. China is in a critical period of economic recovery and industrial upgrade, with structural problems and cyclical contradictions intertwined together. The Company will keep a close eye on the changes in the macro situation, continue to enhance the industry understanding, improve the credit policies and build a reasonable customer structure; implement the "one branch, one policy", list-based operation for the asset business and fully promote the investment in quality assets. The Company will strictly prevent the risks in key areas, strengthen the risk monitoring and pre-warning in key areas such as real estate, local government credit and group customers with large outstanding loans, and formulate targeted control schemes accordingly; strengthen the management of special-mentioned loans and overdue loans, make adequate allowances, and effectively prevent and dispose of potential risks; actively dispose of non-performing loans in multiple ways, persistently dispose of risk assets to maintain overall stability of asset quality.

3.9.7 Asset quality in key areas

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

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

	30 June 2023						
(In millions of RMB, except for percentages)	Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	2,269,623	28,658	1.26	19,234	0.85	30,015	1.32
Discounted bills	445,552	–	–	60	0.01	–	–
Retail loans	3,268,263	27,945	0.86	40,384	1.24	42,320	1.29
Micro-finance loans	709,306	3,977	0.56	2,058	0.29	4,435	0.63
Residential mortgage loans	1,369,270	4,855	0.35	9,465	0.69	6,560	0.48
Credit card loans	905,766	15,200	1.68	27,855	3.08	27,025	2.98
Consumer loans	272,351	2,694	0.99	922	0.34	3,072	1.13
Others(Note)	11,570	1,219	10.54	84	0.73	1,228	10.61
Total loans and advances to customers	5,983,438	56,603	0.95	59,678	1.00	72,335	1.21

(In millions of RMB, except for percentages)	31 December 2022 Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special-mentioned loans	Percentage of special-mentioned loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	2,097,114	26,205	1.25	21,515	1.03	25,852	1.23
Discounted bills	513,857	–	–	8	–	–	–
Retail loans	3,109,737	28,009	0.90	44,097	1.42	46,731	1.50
Micro-finance loans	629,628	4,027	0.64	2,515	0.40	4,567	0.73
Residential mortgage loans	1,379,812	4,898	0.35	10,409	0.75	6,956	0.50
Credit card loans	884,394	15,648	1.77	30,201	3.41	31,408	3.55
Consumer loans	202,225	2,191	1.08	862	0.43	2,544	1.26
Others(Note)	13,678	1,245	9.10	110	0.80	1,256	9.18
Total loans and advances to customers	5,720,708	54,214	0.95	65,620	1.15	72,583	1.27

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

Risk control over residential mortgage loans

The Company actively implemented the national and regional policy requirements and met the reasonable housing needs of homebuyers to promote a virtuous cycle and healthy development of the real estate industry. During the reporting period, the amount of residential mortgage loans newly granted by the Company in the first-tier and second-tier cities accounted for 88.17% of the total amount of residential mortgage loans newly granted by the Company, representing a decrease of 0.27 percentage point year-on-year. The closing balance of residential mortgage loans in the first-tier and second-tier cities accounted for 86.75% of the closing balance of the Company's residential mortgage loans, representing an increase of 0.25 percentage point as compared with the end of the previous year.

As of the end of the reporting period, the non-performing loan ratio of the Company's residential mortgage loans was 0.35%, the same as the end of the previous year. The special-mentioned loan ratio was 0.69%, representing a decrease of 0.06 percentage point as compared with the end of the previous year. The overdue loan ratio was 0.48%, representing a decrease of 0.02 percentage point as compared with the end of the previous year. Meanwhile, the Company had always been regularly monitoring and revaluating the value of the existing collaterals and adjusting the value of mortgaged assets in a timely manner. As of the end of the reporting period, the weighted average loan-to-value ratio of residential mortgage loans was 32.60%, and the collaterals were sufficient and stable. Therefore, the overall risk of residential mortgage loans was controllable.

The Company attaches great importance to the protection of consumers' right, and will provide customers with prepayment services as agreed in contracts; continue to offer priority support to the customers with rigid housing demand and housing upgraders, and in terms of location, offer priority support to the quality residential projects located in core districts to ensure the healthy development of the residential mortgage loan business. At the same time, the Company will resolutely implement the national policy and adhere to the implementation of city-specific policy, pay attention to risk prevention and control, and make every effort to maintain the stable quality of residential mortgage loan assets.

Risk control over consumer credit business

During the reporting period, the overall economic performance in China improved, the market demands steadily recovered, the production and supply continued to increase, and the consumer market was gradually recovering. The Company insisted on focusing on the acquisition of value customers, exploring the upgrading consumption scenarios and the real comprehensive consumption scenarios of individuals or families encouraged by national policies in a deep-going way, and the consumer credit business maintained steady development. During the reporting period, thanks to the continuous optimisation of the customer base and the asset structure and the application of various risk management strategies, the non-performing loan ratio of consumer credit business, the special-mentioned loans ratio and overdue loans ratio decreased as compared with the end of the previous year, and the asset quality of consumer credit business was generally controllable.

As of the end of the reporting period, the non-performing loan amount of the Company's consumer credit business (including credit cards) was RMB17.894 billion, representing an increase of RMB55 million as compared with the end of the previous year, the non-performing loan ratio was 1.52%, representing a decrease of 0.12 percentage point as compared with the end of the previous year, the special-mentioned loan ratio was 2.44%, representing a decrease of 0.42 percentage point as compared with the end of the previous year and the overdue loan ratio was 2.55%, representing a decrease of 0.57 percentage point as compared with the end of the previous year.

Subsequently, the Company will closely track the changes of the external environment, uphold prudent risk preference, take customer base and asset structure adjustment to the next level, focus on value customer operation, continuously optimise the risk control strategy of consumer credit business, actively dispose of non-performing assets and strive to maintain the stable quality of consumer credit business assets.

Control over the risks relating to micro-finance loan business

The Company actively supported the development of small- and micro-sized enterprises. During the reporting period, as the market saw revival in demand, the Company accelerated the pace of retail micro-finance asset origination and loan extension while relying on Fintech to explore product and service innovation so as to further improve the quality and efficiency of financial services for small- and micro-sized customers.

As of the end of the reporting period, the balance of retail micro-finance loans of the Company was RMB709.306 billion, representing an increase of 12.65% as compared with the end of the previous year, accounting for 11.85% of the total loans and advances, representing an increase of 0.84 percentage point as compared with the end of the previous year. As of the end of the reporting period, the non-performing loan ratio of the Company's retail micro-finance loans was 0.56%, representing a decrease of 0.08 percentage point as compared with the end of the previous year, the special-mentioned loan ratio was 0.29%, representing a decrease of 0.11 percentage point as compared with the end of the previous year and the overdue loan ratio was 0.63%, representing a decrease of 0.10 percentage point as compared with the end of the previous year.

In the future, the Company will continue to improve the risk management and control capabilities for micro-finance loans. On the one hand, the Company will continue to maintain the risk limitation, pay close attention to changes in the market situation, and improve the capabilities to analyse and judge the risk situation; on the other hand, the Company will continue to strengthen its quantitative risk control capabilities, improve the risk quantification system in response to changes in the risks of small- and micro-sized customers, improve the decision-making efficiency and ability at different stages of pre-lending, lending and post-lending, and maintain the stable asset quality of micro-finance loans.

Control over the risks relating to local government financing platform business

The Company resolutely performs the relevant national requirements on the management of local government (hidden) debts, strictly implements various regulations and regulatory policies, actively prevents and prudently mitigates the risks arising from hidden debts of local governments, and earnestly fulfills legal procedures and adheres to the operation in accordance with laws and regulations.

As of the end of the reporting period, the balance of the local government financing platform business involved in the Company and CMB Wealth Management was RMB248.573 billion (including businesses such as actual and contingent credit, bond investment, proprietary investment and fund investment of wealth management products), representing a decrease of RMB15.066 billion as compared with the end of the previous year. Among them, the balance of domestic corporate loans was RMB137.289 billion, representing an increase of RMB4.725 billion as compared with the end of the previous year, accounting for 2.29% of the total loans and advances of the Company, representing a decrease of 0.03 percentage point as compared with the end of the previous year. As of the end of the reporting period, the non-performing loan ratio of the local government financing platform business was 0.14%, which proved that the asset quality remained at a good level.

In the second half of the year, the Company will continue to pay attention to the risks associated with structures and regions of local government debts, closely tracking the total scale and regional distribution of local government-related businesses across the Bank and adhering to the overall strategy of "careful selection of regions, support to the most qualified, compliance operation and emphasis on self-compensation". Firstly, we will select regions. For all local government-related credit business, it is necessary to comprehensively consider the relevant risks of regional local economic development, fiscal revenue, government debt and population inflow, and implement differentiated management and control strategies. Secondly, we will give priority to supporting entities and projects with market-oriented operating income, focusing on key planning and construction projects such as those involved in the national Belt and Road Initiative, the coordinated development of Beijing-Tianjin-Hebei, the regional integration of the Yangtze River Delta, Xiong'an New Area and the Guangdong-Hong Kong-Macao Greater Bay Area. Thirdly, we will operate in compliance with regulations and strictly implement various national policies and requirements on government debt management, strictly examining hidden debt risks, and requiring all operating institutions to strictly prohibit new additions or participation in false settlement of local governments' hidden debts. Fourthly, we will emphasise self-compensation, correctly understand the role and responsibility of the government in enterprises and projects, resolutely eliminate the government's bottom-line thinking, focus on high-quality project assets, and optimise business selection according to the coverage of projects and customers' operating cash flow on their own debts.

Control over the risks relating to industries under list-based management[12]

During the reporting period, the Company implemented differentiated management for 14 customers in the list-based industries that are significantly affected by supply-side structural reforms, overcapacity or "dual-carbon" policies. In particular, for the whitelist customers and strategic customers of the Head Office and branches such as leading enterprises in the industry and regional advantageous enterprises, the Company strengthened its policy preference and provided priority support through various resources, products and services. For other customers with relatively stable risks and fair business conditions, on the basis of solid customer maintenance and operation as well as consolidation of the overall customer base, the Company realised the dynamic optimisation of customer structure and asset structure through supporting the superior, eliminating the inferior and gradually replacing the inferior, the structure of customer base will be concentrated on listed companies, core enterprises and mid-tier customers with sound performances.

As of the end of the reporting period, the Company's full-calibre business financing exposure in industries under list-based management was RMB251.542 billion[13], representing an increase of RMB8.710 billion as compared with the beginning of the year, mainly invested in high-quality strategic customers and whitelist customers of the Head Office and branches. The non-performing loan ratio of the industries under list-based management was 0.96%, representing a decrease of 0.34 percentage point as compared with the beginning of the year. Affected by the risk exposure of individual existing risk customers and the continuous decline of business scale, the non-performing loan ratio of the industries such as metal ore mining, steel trading and basic chemical industries increased as compared with the beginning of the year, while the non-performing loan ratios of other industries remained the same or decreased compared with the beginning of the year.

In view of the fact that the basic customer groups of the industries under the Company's list-based management are mainly strategic customers and whitelist customers of the Head Office and branches with relatively strong capabilities to resist external risks, it is expected that the risks in this field will be generally controllable in the second half of 2023. Subsequently, the Company will dynamically adjust credit policies in relevant fields according to national industrial policies, financial supervision policies and actual market operation.

3.9.8 Capital management

The Company kept on optimising its business structure and strengthening capital management. The Company met various capital requirements of the supervisory organ(s) of the banking industry in China during the reporting period with sufficient capital buffer.

The Company adhered to the principle of prudence and stability and maintained the steady growth of risk-weighted assets under the premise of controllable risk. As of the end of the reporting period, the growth rate of risk-weighted assets under the Advanced Measurement Approach of the Company (having taken into consideration the bottom-line requirements of the parallel run period) was 8.43%. Under the Advanced Measurement Approach, the ratio of risk-weighted assets (having taken into consideration the bottom-line requirements of the parallel run period) to total assets was 57.42%. During the reporting period, the risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 28.50%, significantly higher than the cost of capital. Affected by cash dividend of RMB43.832 billion, the Company's growth rates of net capital at all tiers were all lower than the growth rate of risk-weighted assets, resulting in a decrease in the Company's capital adequacy ratios at all tiers under the Advanced Measurement Approach as compared with the end of the previous year.

The Company adheres to the development strategy of marketisation, branding and internationalisation, continuously advances the innovation and development of asset securitisation business and continuously enriches capital management tools. During the reporting period, the Company issued four asset securitisation projects through the inter-bank market with a total scale of RMB1.528 billion. The underlying assets were non-performing loans.

In September 2022, the list of domestic systemically important banks in 2022 was released. The Company was still in the third group of the list and still needed to meet additional regulatory requirements such as the additional capital adequacy ratio of 0.75% and the additional leverage ratio of 0.375%. At present, the Company's capital adequacy ratio, leverage ratio, liquidity and other operating indicators at all levels are maintained at a high level, which can meet additional regulatory requirements.

12 In 2023, the Company renamed industries under classified management as industries under list-based management, and the scope of the industry was adjusted. In 2023, the industries under list-based management include 14 industries such as glass manufacturing, textile and chemical fiber, synthetic material manufacturing, steel trade, iron and steel (long process), metal ore mining and processing, fertilizer manufacturing, basic chemical, coal chemical, coal trade, coal, non-ferrous metal smelting and calendaring (excluding electrolysis of aluminium), financial leasing and commercial leasing.

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

In recent years, regulators have attached great importance to banks' capital endogenous capability and capital adequacy ratio condition and constantly promoted regulatory reform and the implementation of the new capital measurement and regulatory requirements. The Company will keep on optimising the capital allocation strategy and strengthening the asset-liability portfolio management, promoting the dynamically balanced development of the Company in terms of quality, efficiency and scale. By continuing to enhance the concept of refined capital management, the Company will also improve the capital return management mechanism, adhere to the use of economic value added (EVA) and risk-adjusted return on capital (RAROC) and other value evaluation indicators to improve the efficiency of capital use. The Company will keep up with the progress of international capital regulatory reform, keep on implementing the internal capital adequacy assessment procedures (ICAAP), dynamically balance the capital supply and demand, adhere to the principle of taking capital endogenous accumulation as the main factor and being supplemented by external sources, comprehensively plan the use of various capital instruments and raise capital in numerous channels and ways to ensure the smooth operation of the capital adequacy ratio.

3.10 Business Operation

3.10.1 Retail finance business

Business overview

During the reporting period, the profit before tax from the retail finance business of the Company amounted to RMB50.267 billion, representing an increase of 9.93% as compared with the corresponding period of the previous year. The net operating income from the retail finance business amounted to RMB96.713 billion, representing an increase of 0.44% as compared with the corresponding period of the previous year and accounting for 59.56% of the net operating income of the Company. The net interest income from the retail finance business amounted to RMB65.209 billion, representing an increase of 3.97% as compared with the corresponding period of the previous year and accounting for 67.43% of the net operating income from retail finance; the net non-interest income from the retail finance business amounted to RMB31.504 billion, representing a decrease of 6.14% as compared with the corresponding period of the previous year while accounting for 32.57% of the net operating income from retail finance and 55.31% of the net non-interest income of the Company. During the reporting period, the fee and commission income from retail wealth management of the Company was RMB16.128 billion, representing a decrease of 11.36% as compared with the corresponding period of the previous year and accounting for 53.46% of the net fee and commission income from retail finance; the Company recorded a fee income of RMB9.986 billion from retail bank cards, representing a decrease of 6.16% as compared with the corresponding period of the previous year.

During the reporting period, the Company strengthened the ecological construction of financial scenarios by improving the retail financial product service system, refining the segmented and classified management of customer groups, and deepening the concept and methodology of asset allocation, continuously improved the professional level of financial services, and met the diverse financial service needs of different customers at different stages with high quality services. Meanwhile, the Company deepened the omni-channel coordination using the "people + digitalisation" service model to continuously expand the boundaries of financial services, make full use of Fintech to increase the level of digital and intelligent services, and capitalise on the power of financial innovation to empower customers. During the reporting period, the retail business of the Company maintained favorable overall growth.

Retail customers and total assets under management for retail customers

During the reporting period, in the face of the complex external situation and fierce competition from the same industry and other industries, the Company strengthened its customer acquisition in key regions, fully utilised its advantages in service deployment in first- and second-tier cities, further increased the acquisition of value customers, and actively explored new customer growth drivers. The Company also deepened the integration of wholesale and retail finance, improved its ability to expand group finance to key customer groups and industries, strengthened the comprehensive service level of "individual, family, enterprise and society（人家企社）" of private banking business, and integrated multi-dimensional services to provide high-quality financial and non-financial service solutions to customers. Meanwhile, the Company refined the segmented and classified management of customers, deepened the wealth management professional services and omni-channel coordinated operation, created a full-process service link of "customer insight-asset allocation-customer accompanying", continuously improved the professional level of the team, product innovation and refined management capabilities, and made full use of Fintech to continuously consolidate and expand its differentiated competitive advantages in retail business. During the reporting period, the number of retail customers and the balance of the assets under management (AUM) from retail customers of the Company maintained stable growth.

As of the end of the reporting period, the Company had 190 million retail customers (including debit and credit card customers), representing an increase of 3.26% as compared with the end of the previous year, among which the number of Golden Sunflower and above customers (those with minimum daily average total assets of RMB500,000 for each month) reached 4,441,500, representing an increase of 7.19% as compared with the end of the previous year.

As of the end of the reporting period, the balance of total assets under management for retail customers of the Company amounted to RMB12,838.179 billion, representing an increase of 5.90% as compared with the end of the previous year. Among them, the balance of total assets under management for the Golden Sunflower and above customers amounted to RMB10,468.170 billion, representing an increase of 6.10% as compared with the end of the previous year. As at the end of the reporting period, the balance of deposits from retail customers of the Company amounted to RMB3,138.072 billion, representing an increase of 6.17% as compared with the end of the previous year. During the reporting period, the demand deposits accounted for 61.12% of the daily average balance of deposits from retail customers of the Company.

Wealth management

As at the end of the reporting period, the Company had 46,633,400 customers holding our wealth products, representing an increase of 8.12% as compared with the end of the previous year, which was mainly due to the Company's innovation of cash management products and the reconstruction of wealth management products and services such as the prudent wealth management product matrix in response to the risk appetite of customers. Under the background of weak macroeconomic recovery and capital market volatility, the Company took the initiative to address the market changes proactively and adjusted its business strategies in a timely manner. As at the end of the reporting period, the Company's balance of retail wealth management products amounted to RMB3,239.238 billion, representing an increase of 3.21% as compared with the end of the previous year. The Company achieved the sales of agency non-monetary mutual funds of RMB152.606 billion, representing a decrease of 18.53% year-on-year. The decrease was mainly due to the relatively weak market recovery compared to expectations. However, in the first half of the year, the fund sales rebounded as compared to the corresponding period of the second half of 2022. The Company achieved the sales of agency insurance premiums of RMB57.394 billion, representing an increase of 54.88% year-on-year. The increase was mainly due to the fact that the Company further seized market opportunities and increased its efforts in the allocation of regular insurance, which drove a rapid increase in premiums. The Company recorded RMB49.457 billion in agency distribution of trust schemes, representing a decrease of 30.82% as compared with the corresponding period of the previous year, which was mainly due to the fact that the Company actively adjusted its business direction under the policy background of "reform of trust business classification", and other policy backgrounds. During the reporting period, the Company recorded a fee and commission income from retail wealth management business of RMB16.128 billion, among which income from agency distribution of insurance policies amounted to RMB8.721 billion, income from agency distribution of funds amounted to RMB3.034 billion, income from agency sales of wealth management services amounted to RMB2.533 billion, income from agency distribution of trust schemes amounted to RMB1.676 billion, and other income amounted to RMB164 million. For details of the reasons of changes in fee and commission income from wealth management, please refer to 3.9.2 "Net non-interest income" in this chapter.

During the reporting period, the Company continued to strengthen the advantages of its wealth management professional services and online services, created a "people + digitalisation" omni-channel service accompanying system, and assisted customers in achieving asset preservation and appreciation.

First, the Company returned to the business origin of "deposit-taking, lending, foreign exchange（存貸匯）" of the Bank, and expanded the scale of wealth customers through the connection between payment settlement and wealth management. During the reporting period, the Company focused on low threshold products such as Zhao Zhao Bao（朝朝寶）and Ri Ri Bao（日日寶）, opened up the link from "cash management" to "wealth management" for customers, and met their needs for timely, convenient and differentiated wealth management services. During the reporting period, the repurchase rate of wealth trading customers reached 53.12%, representing a year-on-year increase of 5.12 percentage points.

Second, the Company upgraded the competitive online wealth product matrix, in order to satisfy the diversified investment needs of customers. The Company grasped the liquidity needs of customers and provided customers with comprehensive cash management solutions. During the reporting period, the scale of the cash management products reached RMB1.71 trillion, representing an increase of 13.56% as compared with the end of the previous year. Facing the net worth transformation of wealth management, the Company restructured a robust product matrix and enhanced the Bank's wealth management and operation capabilities through four major initiatives, namely, rigorous selection of good products, diversification of product maturity, accurate depiction of risks, and simplification of investment education content, which contributed to the growth in the scale of wealth management products. The Company enriched the business scenarios of aggressive products by launching the fund position perspective function, provided CMB APP users with one-stop professional analysis services to quickly understand the current status of fund positions, provided reference for customers to optimise their investments under turbulent capital market conditions, enriched the supply of indemnificatory products, and stepped up its efforts in the introduction of featured insurance products, such as Hui Min Bao(惠民保), tailor-made travel insurance and health insurance, to enhance the ability of customers to protect themselves against risks.

Third, the open and cooperative ecosystem continued to evolve, and wealth management service capabilities continued to improve. The Company further optimised the service capabilities of CMB APP "Zhao Cai Hao(招財號)", an open platform of wealth management business, improved the operation and organisation mechanism, and provided customers with better wealth services. As at the end of the reporting period, 144 asset management agencies with industrial representativeness settled in CMB APP "Zhao Cai Hao(招財號)". As at the end of the reporting period, "Zhao Cai Hao(招財號)" had a total of 22,120,000 followers. During the reporting period, "Zhao Cai Hao(招財號)" provided customers with over 207 million times of services by offering wealth information content, online interactions and organisation of events, etc., providing professional investment guidance and accompanying for customers on their investment journey.

Fourth, the Company continued to deepen the "CMB TREE Asset Allocation Service System". Starting with the construction of 13 underlying models such as KYC for customer profiles, KYP for wealth products and KYM for market statistics, the Company innovatively created systematic and intelligent application tools. Relying on digital products such as nine-square grid for profiles, allocation proposal and wealth review plan, the Company flexibly entered the customised service scenarios such as customers' needs and goals, major and sub-category asset allocation, product allocation, dynamic inspection and rebalancing, so as to establish a standardised service paradigm for relationship managers, help customers form a correct understanding of investment concepts and implement them into asset allocation and investment behavior optimisation. As at the end of the reporting period, the Company had 8,651,400 customers who conducted asset allocation under such system, representing an increase of 6.45% as compared with the end of the previous year.

Fifth, the Company continued to strengthen the full-life cycle management of its wealth products to further enhance its product management capability and business risk control capability. Since the beginning of this year, in order to better respond to changes in the external environment, on the one hand, the Company has further standardised its product access requirements, risk measurement and assessment rules, staff qualification management, product full-life cycle management and other working mechanisms. On the other hand, the Company has developed a product strategy that not only meets the needs of the current market, but also meets the current needs of customers. In terms of bank wealth management, the Company pursues "stability + certainty" and optimises the wealth management products held by its customers to continuously enhance their confidence; in terms of mutual funds, the Company has formed a brand-based closed-loop of "customisation + management" and deepened the interaction and management with its partners, thereby constantly improving the competitiveness of its products; and in terms of insurance, the Company has diversified its product introduction channels, increased its efforts in product innovation, and increased the targeted allocation of protection insurance to meet the needs of customers for long-term stable capital appreciation. Meanwhile, the Company continued to optimise its product digitisation tools, actively promoted the construction of a wealth product investment research platform, continuously improved the analysis functions and data quality of the platform and tools, with a view to further enhancing the level of refined business operations and the quality and efficiency of risk management.

Private banking

As at the end of the reporting period, the Company had 143,177 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 6.21% as compared with the end of the previous year; the balance of total assets under management for private banking customers increased by 5.89% as compared with the end of the previous year; the balance of total assets per account amounted to RMB28,049,100, representing a decrease of RMB84,700 as compared with the end of the previous year. The number of transactions of the family trust business exceeded 10,000, with the business scale increased by 22.79% as compared with the end of the previous year.

During the reporting period, the Company continued to build and enhance the core competence and competitive advantages of the private banking business, continuously improved the comprehensive service system of "individual, family, enterprise and society (人家企社)", and promoted the steady development of its private banking business.

Firstly, the Company continuously enriched its products and services. Relying on an open product platform, the Company introduced asset management organisations that are representative in the industry to provide customers with diversified products and improve full-life cycle wealth accompanying services for customers. Meanwhile, the Company integrated the services and resources of the Bank, group subsidiaries and third-party partners to match the needs of private banking customers and the enterprises behind them, and provided customers with a full range of comprehensive financial services.

Secondly, the Company thoroughly promoted digital transformation. With respect to private banking customer services, the Company accelerated the online migration of products and services such as private equity and family trusts, so as to build a wealth accompanying system exclusive for private banking customers with all products and channels; in terms of the digitalisation of wealth management, the Company pushed forward the online migration of the whole process of investment research and transaction risk control, so as to upgrade its one-stop professional capability of asset allocation and wealth management in all aspects, from grasping market opportunities, allocation strategies, to recommending wealth products.

Thirdly, the Company adhered to the concept of sound and prudent risk management. The Company carried out segmented and classified management of wealth products such as fixed-income and equity products, and properly matched the products with the risk-return preferences of private banking customers. In a volatile market environment and throughout the whole process of business, the Company continuously enhanced empowerment and support for the business to ensure the stable operation of the business.

Credit cards

As of the end of the reporting period, the Company had issued an aggregate of 100.3603 million active credit cards, representing a decrease of 2.29% as compared with the end of the previous year, and there were 69.8577 million active credit card users, representing a decrease of 0.21% as compared with the end of the previous year. During the reporting period, the credit card transactions of the Company amounted to RMB2,371.981 billion, representing a decrease of 0.67% as compared with the corresponding period of the previous year. Interest income from credit cards amounted to RMB31.326 billion, representing a decrease of 0.31% as compared with the corresponding period of the previous year. Non-interest income from credit cards amounted to RMB13.909 billion, representing a decrease of 0.83% as compared with the corresponding period of the previous year. For details of the scale and quality of the credit card loans of the Company, please refer to 3.9.7 "Asset quality in key areas" in this chapter.

In respect of carrying out business, during the reporting period, under the guidance of the business strategy of "stability and low volatility", the Company focused on the acquisition of value customer groups and stepped up the operation of medium- and low-risk assets, resulting in the continuous optimisation of the customer group structure, a more robust asset portfolio and enhanced risk-resistant capabilities. Looking ahead, the Company will prudently arrange various strategic deployments according to changes in the external risk situation. The Company will insist on focusing on value customer operation, continue to deepen the adjustment of the customer base and the asset structure, improve the post-loan digital operational level and operating efficiency, and promote the high-quality growth of the credit card business.

During the reporting period, the Company continued to promote credit card product innovation and service upgrading from the perspective of customers. Specific measures are as follows: First, the Company focused on high-quality customer acquisition, and promoted the transformation of customer acquisition strategies. Meanwhile, the Company continued to improve its card product system by launching a Three-body co-branded credit card in cooperation with popular IPs, launching the first carbon-neutral credit card, the Low Carbon Credit Card, which is in line with the ESG concept, and launching a healthcare-themed credit card. Second, the Company took multiple measures to promote transactions, and launched marketing activities such as "Labour Day Consumption Voucher (五一消費券)" and "618 Cashback (618筆筆返現)" with reference to festivals and holidays and e-commerce promotions and other important time points, and grasped the pickup in outbound travel to timely launch the "Extraordinary Overseas Travel (非常境外遊)" event, and deployed popular destinations in Hong Kong and Macau in China, Japan and South Korea, etc. Third, the Company strengthened the operation of automobile instalment. Relying on dedicated post services, marketing empowerment and systematic solutions, the Company strengthened the depth of new energy brand management, and at the same time expanded the scope of strategic cooperation brands at head office to head office level to provide customers with more diverse brand choices. Fourth, relying on the "people + digitalisation" model to enhance its refined operational capabilities, the Company continued to accumulate digitalisation experience in the service process, enhanced the quality of manual services by recommending business solutions through the system, and at the same time strengthened the Enterprise WeChat 1-to-1 service model to construct a future-oriented intelligent, omni-channel customer contact ecosystem to reconfigure the way in which the Company's credit cards are connected to its customers. In addition, the Company further deepened the operation of the CMB Life APP. For details of the CMB Life APP, please refer to 3.10.3 "Distribution channels" in this chapter.

In terms of risk management, firstly, the Company, with its adherence to customer base and asset strategy, continued to carry out optimisation of the customer base and asset structure; secondly, by augmenting regional risk management, the Company mapped out policies in accordance with local conditions, regulated high-risk regions through differentiated risk strategies, and focused on key cities and industries in low-risk regions to achieve balanced development; thirdly, the Company dynamically optimised various risk strategies, combined with forward-looking trend judgment, strengthened data application, continued to iterate various quantitative models, improved risk decision-making capabilities, and prudently carried out risk management; fourthly, the Company continued to optimise post-loan digital operation, promoted the construction of intelligent post-loan system platform, improved operational quality and efficiency to boost the disposal of non-performing assets. Through the above measures, the quality of credit card assets remained stable. As at the end of the reporting period, the balance of non-performing loans of the Company's credit cards amounted to RMB15.200 billion, with a non-performing loan ratio of 1.68%, representing a decrease of 0.09 percentage point as compared with the end of the previous year, and the risk was controllable.

Retail loans

As at the end of the reporting period, the total retail loans of the Company amounted to RMB3,268.263 billion, representing an increase of 5.10% as compared with the end of the previous year and accounting for 54.62% of the Company's total loans and advances to customers, up by 0.26 percentage point as compared with the end of the previous year. Among them, the total amount of the Company's retail loans (excluding credit card loans) reached RMB2,362.497 billion, representing an increase of 6.16% as compared with the end of the previous year, accounting for 39.48% of total loans and advances to customers of the Company and representing an increase of 0.58 percentage point as compared with the end of the previous year.

As to business development, during the reporting period, the Company actively implemented the national and regional policy requirements for its residential mortgage loan business, adhered to the city-specific policy, supported the residents' reasonable needs for purchasing their own homes, and achieved the sound development of this type of business. At the same time, while maintaining proper risk control management and stable asset quality, the Company proactively adjusted its business structure and increased the granting of loans to small- and micro-sized enterprises and consumer credit business. With respect to micro-finance loans, the Company strictly implemented various regulatory requirements, enriched its product portfolio to meet the diversified needs of micro-finance loan customers, and expanded the coverage of micro-finance loan customers. With respect to the consumer loan business, the Company insisted on selecting quality customers and continued to improve its big data risk control capabilities. The Company carried out segmented management of customer groups with different needs, stroke a balance between returns and risks, and reduced operating costs. As at the end of the reporting period, the Company recorded a balance of residential mortgage loans of RMB1,369.270 billion, representing a decrease of 0.76% as compared with the end of the previous year. The balance of retail micro-finance loans amounted to RMB709.306 billion, representing an increase of 12.65% as compared with the end of the previous year. The balance of consumer loans amounted to RMB272.351 billion, up by 34.68% as compared with the end of the previous year. As at the end of the reporting period, the Company had 13,858,700 retail loan (excluding credit card loans) customers, representing an increase of 14.15% as compared with the end of the previous year. The expansion of customer base was mainly attributable to the light model of customer acquisition through online platform.

In terms of risk management, during the reporting period, the Company continuously optimised its risk management strategy. First, the Company strengthened the monitoring and prediction of market risk situations, and adjusted its risk management and control strategies in a timely manner with reference to market changes. Second, the Company adhered to the selection of quality customer groups, and selected customers with good credit records and stable repayment sources as the main business targets. Third, the Company continued to strengthen its big data quantitative risk control capabilities, actively expanded access to data sources, continuously enriched data tags, rapidly iterated the strategic model, deepening the application of quantitative risk control tools in the whole process of pre-lending, lending and post-lending so as to accurately identify and control risks. Fourth, the Company continued to enhance the level of post-loan digital management, strictly controlled the flow of loan funds, and explored diversified post-loan disposal tools in an effort to maintain stable asset quality. In addition, the Company continued to strengthen the post-lending risk management of properties, actively cooperated with government and regulatory authorities to protect the rights and interests of housing consumers, and promoted the stable and healthy development of the real estate market. Through the above initiatives, the overall quality of retail loan assets remained stable. As at the end of the reporting period, the balance of the Company's retail special-mentioned loans (excluding credit cards) amounted to RMB12.529 billion, the ratio of special-mentioned loan was 0.53%, representing a decrease of 0.09 percentage point as compared with the end of the previous year. As at the end of the reporting period, the balance of non-performing retail loans (excluding credit card loans) amounted to RMB12.745 billion, with the ratio of non-performing loan of 0.54%, representing a decrease of 0.02 percentage point as compared with the end of the previous year. Excluding credit cards, the mortgage and pledged loans accounted for 61.97% of the Company's new non-performing retail loans formed during the reporting period, the loan-to-value ratio of the above-mentioned mortgage and pledged loans as at the end of the reporting period was 35.79%. Given that the vast majority of such new non-performing retail loans were secured by collaterals, the risk was within a controllable range.

3.10.2 Wholesale finance

Business overview

During the reporting period, the Company achieved profit before tax from wholesale finance of RMB32.571 billion, representing an increase of 8.85% as compared with the corresponding period of the previous year. The net operating income from wholesale finance of the Company was RMB65.392 billion, representing a decrease of 2.26% as compared with the corresponding period of the previous year, and accounting for 40.27% of the net operating income of the Company. Among them, net interest income of wholesale finance business amounted to RMB42.392 billion, representing an increase of 0.58% as compared with the corresponding period of the previous year, and accounting for 64.83% of the net operating income of wholesale finance; the net non-interest income of wholesale finance amounted to RMB23.000 billion, representing a decrease of 7.09% as compared with the corresponding period of the previous year, and accounting for 35.17% of the net operating income of wholesale finance business, and 40.38% of the net non-interest income of the Company.

With the transformation of economic growth momentum and the accelerated upgrading of industrial restructuring, the Company grasped the changes and proactively laid out its strategy. Based on the key direction of national industrial upgrading and its own resource endowments, the Company proposed to focus on the development direction of seven financial sectors, including digital intelligent finance, sci-tech finance, green finance, intelligent manufacturing finance, cross-border finance, inclusive finance and industrial finance, and continued to build up its distinctive advantages, so as to push forward the optimisation and adjustment of the customer structure and business structure of wholesale finance, and to continue to enhance the quality and efficiency of serving the real economy.

During the reporting period, the Company actively organised funds from various internal and external sources by focusing on the needs of customers to provide three-dimensional, all-round and multi-level financing support to corporate clients. As at the end of the reporting period, the Company's balance of aggregate financing products to corporate customers (FPA) was RMB5,497.700 billion[14], representing an increase of RMB409.573 billion as compared with the beginning of the year, among which the balance of traditional financing[15] was RMB3,049.294 billion, representing an increase of RMB251.050 billion as compared with the beginning of the year; the balance of non-traditional financing[16] was RMB2,448.406 billion, representing an increase of RMB158.523 billion as compared with the beginning of the year. The balance of non-traditional financing accounted for 44.54% of the balance of FPA, representing a decrease of 0.46 percentage point as compared with the beginning of the year.

Wholesale customers

The Company has established a professional and focused corporate customer service system with segmented and classified management for strategic customers, regional customers, institutional customers, inter-bank customers, cross-border customers and basic customers. During the reporting period, the Company continued to deepen the segmented and classified service system and focused on professional operations of strategic customers of the Head Office and branches, acquisition of high-quality corporate customers and in-depth operations of existing customers. As of the end of the reporting period, the total number of corporate customers of the Company was 2,648,500, representing an increase of 4.85% as compared with the end of the previous year. The number of newly acquired corporate customers during the reporting period was 229,000, contributing daily average deposits of RMB76.776 billion. Among them, 10,200 corporate depositors with daily average deposits of more than RMB500,000 were newly acquired.

14 Since the financing wealth management and matching transactions included in the scope of FPA were adjusted in this period, the same-calibre adjustment was made to the data at the beginning of the period, with the opening balance of the adjusted FPA of RMB5,088.127 billion, of which amount of traditional financing amounted to RMB2,798.244 billion and amount of non-traditional financing amounted to RMB2,289.883 billion.

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

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

In terms of strategic customers, the Company optimised and upgraded its strategic customer service model, focused on industry specialisation and the integrated operation of investment and commercial banking business, fully explored the value of the strategic customer platform, and promoted the operation of the industrial and investment chains of core customers to lead to the innovation of the industrial service model and the breakthrough of business. As of the end of the reporting period, the Company had 340[17] strategic customers at the Head Office level, the daily average balance of deposits was RMB1,052.155 billion, representing an increase of 2.34% as compared with the previous year, and the balance of loans was RMB966.090 billion, representing an increase of 6.12% as compared with the end of the previous year. As of the end of the reporting period, the number of strategic customers of the Company at the branch level was 7,013[18]. The daily average balance of deposits was RMB761.154 billion, representing an increase of 4.20% on the same calibre as compared with the previous year, and the balance of loans was RMB390.600 billion, representing an increase of 9.86% as compared with the beginning of the year.

In terms of regional customers, the Company proactively responded to the nation's major regional development strategy and industrial cluster development strategy. By researching and tapping into the regional markets, the Company pushed forward the characteristic operation of 17 branches in key regions among the Yangtze River Delta, the Greater Bay Area, Chengdu-Chongqing Region and the West Side of Taiwan Strait, expanded the coverage of quality customers in the regions and promoted the sustained growth and structural optimisation of the customer bases. The Company managed to meet the comprehensive financial needs of regional customers in terms of financing, settlement and corporate treasury management in virtue of the integrated service of "investment banking and commercial banking", especially increasing its support to customers from such fields as green economy, quality manufacturing, technological innovation, old and new infrastructure in the regions so as to facilitate the development of regional customers. The Company formulated differentiated credit policies for branches in key regions, expanded the scope of support in key areas, launched innovative credit products in pilot areas, and improved its ability to serve the real economy. During the reporting period, the balance of corporate loans of the branches in the above key regions amounted to RMB820.855 billion, representing an increase of 10.52% as compared with the beginning of the year, accounting for 36.17% of the total corporate loans of the Company. The increased loans accounted for 45.28% of the total incremental corporate loans of the Company.

With regard to its institutional customers, the Company, relying on Head Office-to-Head Office direct operation and the bank-wide marketing empowerment working mechanism, continued to strengthen cooperation with national government agencies in terms of policies, qualifications, scenarios and data, and at the same time, improved and upgraded the "financing of capital + financing of intelligence + financing of technology" service system to continue to enhance the capacity, efficiency and quality of serving local governments and competent authorities, and assist in the digital transformation of administrative services. In terms of business ideas, the Company was committed to serving institutional customers at all levels and of all types. Relying on systematic platform operation and panoramic value creation, and extending the service radius by fully exploring the "source" value of institutional business in such aspects as policy, capital, scenario, information and data, the Company continued to help itself achieve the high-quality development. As at the end of the reporting period, the Company had 51,800 institutional customers, with an average daily deposit balance of RMB1,050.370 billion.

With regard to its financial institution customers, the Company deepened its operations by focusing on their dual roles as customers and partners. The Company endeavored to polish its financial institution system and product system to provide better services to financial institution customers and at the same time join hands with the financial institution customers to serve the corporate customers and retail customers of the Company. During the reporting period, the interbank online service platform "Zhao Ying Tong（招赢通）", which provides financial institution customers with online transaction services for a wide range of assets, served 3,215 financial institution customers, representing an increase of 4.83% as compared with the end of the previous year. At the same time, the Company actively cooperated with policy banks to carry out sub-loans business and implemented the decisions and arrangements related to the national inclusive finance development.

With regard to cross-border customers, the Company overcame multiple challenges at home and abroad, seized the trending, structural and phased development opportunities brought about by changes in policy and market environment, and, with the goal of building distinctive advantages in cross-border services for enterprises, continued to improve the "Cross-Border E Zhao Tong（跨境E招通）" customer service system, enhance the ability to innovate and create value for customers, and continuously consolidated the foundation of risk compliance management in order to promote the high-quality development of its cross-border business. As at the end of the reporting period, according to the latest statistical calibre of the People's Bank of China, the Company had 58,662 corporate customers in respect of international settlement, representing an increase of 13.13% on the same calibre as compared with the corresponding period of the previous year.

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

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

With regard to basic customers, the Company explored the establishment of a potential identification model for basic customers, and provided services with the "people + digitalisation" model. The Company gradually built a service model of "online banking/APP customer self-service + remote service + outlet relationship managers' centralised account management" driven by the digital middle office, and innovated and created a one-stop digital business platform to collaborate on customer reach and cross-selling, and promoted the enhancement of customer coverage capacity. At the same time, the Company continued to optimise the service process of its outlets, accelerate the opening up of blockage and interruption points in the product flow, and made use of digital tools to efficiently serve a large number of customer groups. During the reporting period, the Company served 11.2330 million times for corporate customers through various online channels. During the reporting period, the Company had 1,049,900 corporate customers for withholding transactions, representing a year-on-year increase of 11.12%. The transaction amount was RMB1,232.867 billion, representing a year-on-year increase of 30.46%.

Corporate customer deposits

During the reporting period, the Company continued to optimise its payment and settlement products and services based on the customer-centric principle and strengthened the expansion of low-cost settlement deposits. Meanwhile, the Company focused on the capital diversion opportunities in the key business sectors of the market, and promoted high-quality and stable growth of corporate deposits. As of the end of the reporting period, corporate customer deposit balance was RMB4,599.771 billion, representing an increase of 6.51% as compared with the end of the previous year. The daily average balance was RMB4,498.911 billion, representing an increase of 5.63% as compared with the previous year. Demand deposits accounted for 59.19% of the average daily balance of corporate customers' deposits, representing a decrease of 1.36 percentage points as compared with the previous year. During the reporting period, the average cost rate of corporate customer deposits was 1.77%, representing an increase of 5 basis points as compared with the previous year.

Corporate loans

As of the end of the reporting period, the Company's total corporate loans amounted to RMB2,269.623 billion, representing an increase of 8.23% as compared with the end of the previous year, accounting for 37.93% of the Company's total loans and advances, representing an increase of 1.27 percentage points as compared with the end of the previous year. Among them, the balance of medium- and long-term domestic corporate loans amounted to RMB1,402.400 billion, representing an increase of 5.69% as compared with the end of the previous year, accounting for 64.31% of the total loans of domestic companies, representing a decrease of 1.39 percentage points as compared with the end of the previous year. The non-performing loan ratio of the corporate loans was 1.26%, representing an increase of 0.01 percentage point as compared with the end of the previous year.

As of the end of the reporting period, the balance of domestic loans to national-standard large enterprises was RMB992.972 billion, representing an increase of 6.60% as compared with the end of the previous year, accounting for 45.54% of the domestic corporate loans, representing a decrease of 0.59 percentage point as compared with the end of the previous year, and the non-performing loan ratio was 0.77%, representing a decrease of 0.13 percentage point as compared with the end of the previous year. The balance of domestic loans to national-standard medium-sized enterprises was RMB578.639 billion, representing an increase of 4.07% as compared with the end of the previous year, accounting for 26.54% of the domestic corporate loans, representing a decrease of 0.99 percentage point as compared with the end of the previous year, and the non-performing loan ratio was 2.34%, representing an increase of 0.28 percentage point as compared with the end of the previous year. The balance of domestic national-standard small- and micro-sized enterprise loans was RMB462.723 billion, representing an increase of 19.60% as compared with the end of the previous year, accounting for 21.22% of domestic corporate loans, representing an increase of 2.06 percentage points as compared with the end of the previous year, and the non-performing loan ratio was 0.94%, representing a decrease of 0.06 percentage point as compared with the end of the previous year. The balance of domestic corporate loans in other national-standard classifications[19] was RMB146.205 billion, representing an increase of 0.75% as compared with the end of the previous year, accounting for 6.70% of domestic corporate loans, representing a decrease of 0.49 percentage point as compared with the end of the previous year, and the non-performing loan ratio was 1.53%, representing an increase of 0.15 percentage point as compared with the end of the previous year.

19 Such loans include loans made by domestic institutions to overseas and offshore customers, domestic non-enterprise customers and individual industrial and commercial households.

During the reporting period, the Company actively responded to the national policy guidance, firmly supported the development of the real economy, steadily optimised the corporate loan structure, strengthened strategic research on key industries, enhanced professional awareness, and formed differentiated business strategies and industry solutions for industry segments, with a focus on increasing financial support for and loans granting in the high-quality manufacturing industry, green economy, technology innovation, inclusive finance and other fields. As of the end of the reporting period, the balance of the corporate loans extended to the manufacturing industry was RMB524.221 billion, representing an increase of RMB80.369 billion as compared with the end of the previous year, accounting for 23.10% of the total corporate loans, representing an increase of 1.94 percentage points as compared with the end of the previous year. The balance of green loans was RMB387.899 billion, representing an increase of RMB32.542 billion as compared with the end of the previous year, accounting for 17.09% of the total corporate loans, representing an increase of 0.14 percentage point as compared with the end of the previous year. The balance of loans to strategic emerging industries was RMB335.242 billion, representing an increase of RMB32.919 billion as compared with the end of the previous year, accounting for 14.77% of the total corporate loans, representing an increase of 0.35 percentage point as compared with the end of the previous year. For loans in key areas such as real estate and local government financing platforms, please refer to Chapter 3.9.

Bill business

During the reporting period, the Company continued to deepen the transformation of comprehensive services for bill customers, continuously improved the experience of bill customers, and continued to strengthen the direct discounting and inter-bank discounting linkage and the improvement of bill transaction capabilities, and actively responded to the changes in the external market. During the reporting period, the number of customers of bill business of the Company was 116,092 with a year-on-year increase of 5.39%, among which 86,800 were micro-, small- and middle-sized customers, accounting for 74.77% of the total. Affected by a decline in the overall business volume of the bill market, the volume of direct bill discounting business was RMB701.441 billion during the reporting period, representing a year-on-year decrease of 16.88%, still ranking second (data from the China Banking Association), of which the volume of commercial acceptance bill discounting business was RMB82.637 billion, ranking first (data from the Commercial Bank Bill Business Association). As of the end of the reporting period, the Company's bill discounting balance was RMB445.552 billion, representing a decrease of 13.29% as compared with the end of the previous year, mainly affected by the decrease in interest rate in the bill market.

The Company keeps on improving the bill investment and research integration mechanism and the trading strategy of market timing and flow management, optimises the mechanism of Head Office and branch cooperation, and continues to enhance its trading capabilities. During the reporting period, the discounted bills transferred to other financial institutions amounted to RMB882.210 billion, representing a year-on-year decrease of 3.29%, with the ranking rising to the first (data from the China Banking Association).

The Company keeps on implementing the rediscounting policy of the People's Bank of China, supports enterprise financing through rediscounting, and improves the quality and efficiency of serving the real economy. During the reporting period, the business volume of bill rediscounting amounted to RMB124.620 billion, representing a year-on-year increase of 24.28%, ranking first (data from the China Banking Association). As of the end of the reporting period, the Company's rediscounting balance was RMB75.992 billion, representing a decrease of 7.86% as compared with the end of the previous year, mainly affected by the decrease in interest rate in the capital market.

Transaction banking business

During the reporting period, the Company launched the "Enterprise Digital Intelligent Finance（企業數智金融）" brand, systematically exporting CMB's digital services, integrating and upgrading single products such as the original corporate online banking, group online banking, treasury management (CBS), cash pool and Cloud-based Direct Connect into multiple versions of Treasury Management Cloud for all customer groups, and creating the "Premium Version, Professional Version, Standard Version and Single Account Version（尊享版、專業版、標準版、單戶版）" services of the Treasury Management Cloud to meet the needs of leading enterprises, expanding enterprises, growing enterprises and start-up enterprises for treasury management and intelligent analysis and decision-making at different stages of development and under different management modes, and help enterprises enhance the efficiency of financial resources allocation and achieve cost reduction and efficiency enhancement and value creation. As at the end of the reporting period, the number of customers of Treasury Management Cloud services reached 254,800, representing an increase of 41.34% as compared with the end of the previous year.

Closely following the "Digital China（數字中國）" policy and focusing on the digital transformation needs of enterprises, the Company empowered the innovation and upgrading of financial business with its Fintech capability, and incorporated financial service scenarios through the provision of contract and invoice component services to create the comprehensive service capability of "treasury management + sales（財資管理+銷售）" and "treasury management + procurement（財資管理+採購）". As at the end of the reporting period, the number of Invoice Cloud customers reached 439,500, representing an increase of 57.58% as compared with the end of the previous year.

With respect to the corporate sales, the Company helped enterprises realise the digital upgrading of sales management, unified collection through multiple channels, and flexible reconciliation management after collection by creating a full-cycle sales and collection service of "Sales Cloud（銷售雲）" + "Corporate Cashier（企業收銀台）". The Company actively carried out the service for group-based management, franchise, and platform enterprises, and it also continued to promote the collection service program named "One Entire Bank for One Customer（全行服務一家）". During the reporting period, the customers of corporate collection products reached 60,300, representing a year-on-year increase of 37.64%; The transaction amount of corporate collection products was RMB3.28 trillion, representing a year-on-year increase of 84.24%.

In respect of the procurement payment and short-term financing needs of corporate customers, the Company penetrated corporate procurement scenarios, strengthened the innovation and experience optimisation of products related to high-frequency letters and certificates issuance services, and continued to refine the "Shan Dian Series（閃電系）" of domestic trade finance products to enhance the quality and efficiency of corporate financing. During the reporting period, the letters and certificates issuance business transactions of the Company amounted to RMB250.464 billion, representing a year-on-year increase of 59.04%; the domestic trade financing business volume amounted to RMB584.647 billion, representing a year-on-year increase of 56.17%.

Cross-border finance business

During the reporting period, the Company focused on the expansion and management of its core customers of cross-border finance, provided customised cross-border financial services under the service model of "people + digitalisation", and provided integrated cross-border financial services under the five-in-one service system of "domestic and overseas, local and foreign currencies, offshore and onshore, online and offline, and investment and commercial banking". During the reporting period, the Company's goods trade of corporate finance in respect of international settlement amounted to USD81.303 billion, representing a year-on-year increase of 10.45%.

The Company put great efforts into cross-border distinctive customer groups and enhanced service capability in multiple dimensions. Through the service model of "non-resident account system + overseas branches（非居民帳戶體系+境外分支機搆）", the Company built a "full-cycle, whole-process, all-product" ecological service system for the "going global" customer groups and overseas capital markets. While its ability to originate high-quality assets was steadily enhanced, the Company made significant progress in its professional ability to lead the formation of overseas syndicates and serve Chinese-funded enterprises to "go global". As at the end of the reporting period, the Company ranked first in the Asia-Pacific region among the lead arrangers for overseas syndicates of Chinese-funded enterprises (Data from Dealogic).

The Company strengthened the establishment of the digital product system, and significantly enhanced the "basic + characteristic" product and service capabilities of cross-border finance. With a focus on the featured scenarios of cross-border settlement, trading, trade financing and global cash management, the Company comprehensively improved the delivery capability of scenario-based service solutions for segmented and classified customers. The Company continued to build corporate online banking and corporate APP international business zone to expand its online marketing base. During the reporting period, 63,996 customers visited the online banking international business zone, representing a year-on-year increase of 1.4 times; the number of visits was 2.5 million, representing a year-on-year increase of 23 times.

Adhering to the long-term principle, the Company built a solid line of defense for cross-border business risk management. The Company further promoted the optimisation of the "end-to-end" anti-money laundering process, continued to strengthen risk monitoring and management for key industries and country-specific businesses, innovated and built key business risk monitoring models, and established a compliance barrier for business development.

Inclusive finance business

During the reporting period, the Company continued to increase resource investment, improved systems and mechanisms, and continuously improved the comprehensive financial service capabilities for small- and micro-sized enterprises. As at the end of the reporting period, the loan balance of inclusive small- and micro-sized enterprises of the Company amounted to RMB763.129 billion, representing an increase of RMB84.780 billion or 12.50% as compared with the end of the previous year, 7.91 percentage points higher than the overall loan growth rate of the Company. The number of inclusive small- and micro-sized enterprises with loan balance was 942,600, representing a decrease of 48,100 as compared with the end of the previous year. During the reporting period, the Company newly issued inclusive loans of RMB308.762 billion for small- and micro-sized enterprises, with an average interest rate of 4.36%, down by 95 basis points year-on-year.

With regard to its supply chain and scenario-based finance, the Company continued to empower its core customers in the supply chain and provide supply chain financing services and subsequent comprehensive financial services for their upstream and downstream small- and medium-sized enterprises across the country, with a view to continuously improve customer experience. Firstly, the Company gave full play to the leading advantages of its supply chain business of "One Entire Bank for One Customer（全行服務一家）" and product online migration to meet the financing needs of small-, medium- and micro-sized enterprises. As of the end of the reporting period, the Company has launched a total of 261 projects under this model, extended its services to 28,271 small- and medium-sized enterprises, of which 23,783 enterprises were granted financing support, with the total amount of loans granted of RMB313.198 billion. Secondly, based on the industry specialised operation, the Company customised industry solutions for energy, new retail, communication, automobile, and other industries. During the reporting period, the business volume of the Company's supply chain financing amounted to RMB365.436 billion, representing a year-on-year increase of 21.50%, serving 4,087 core enterprises, and 24,138 upstream and downstream customers.

With regard to its sci-tech finance, the Company has established six specialised mechanisms around teams, products, institutions, policies, assessments and processes, focusing on providing products and services to meet the needs of science and technology innovation enterprises in the five scenarios of bank financing, treasury management, capital connection, cross-border development, and talent retention and employment, and joined hands with the government, stock exchanges, intermediaries, investment institutions, industrial parks, and core enterprises in the supply chain to create an alliance with the three ecosystems of government, capital, and industry through the pilot project involving 6+1 branches, including six first-level branches in Beijing, Shenzhen, Shanghai, Nanjing, Hangzhou, and Hefei and one second-level branch in Jiaxing. As at the end of the reporting period, the number of the Company's technology enterprise customers exceeded 110,000, with 10,041 new accounts opened during the reporting period, representing a year-on-year increase of 2,483 accounts, or 32.85%; and the balance of the loans to technology enterprises amounted to RMB378.014 billion, representing an increase of RMB52.779 billion, or 16.23% as compared with the beginning of the year.

Investment banking business

During the reporting period, the Company accelerated the transformation of its investment banking business and continued to improve its professional and comprehensive service capabilities of integration of investment and commercial banking business.

With respect to its bond underwriting business, the Company strove to build an all-round service system for corporate bond financing to serve enterprises in direct financing. During the reporting period, the debt financing instruments with the Company as the lead underwriter amounted to RMB321.464 billion, ranked third among its industry peers (based on the data from the National Association of Financial Market Institutional Investors), representing a year-on-year increase of 4.26%. Among them, the size of perpetual bonds ranked first among its industry peers, the size of green bonds and science and technology innovation notes ranked second among its industry peers, and the size of Asset-Backed Note (ABN) ranked third among its industry peers.

With respect to its M&A financing business, the Company actively served the industrial integration of real economy and built up the ability to provide systematic services in the capital market throughout the life cycle for enterprises. During the reporting period, the Company's M&A financing business volume amounted to RMB133.380 billion, representing a year-on-year increase of 14.13%. Many major projects with market influence were implemented, which enhanced the brand influence of the Company in the M&A market.

With respect to its corporate wealth management business, the Company actively responded to the fluctuations in the fixed income market, continued to improve the product system, and optimised its customer service model. During the reporting period, the Company's average daily balance of corporate wealth management products was RMB282.090 billion, representing a decrease of 26.73% as compared with the previous year, mainly due to the redemption of bank wealth management products at the end of the previous year and the beginning of this year.

With respect to its market transactions (matching services) business, the Company, in collaboration with licensed financial institutions, accelerated its transformation from a loan provider to a fund originator, and was committed to providing diversified funding services, in addition to bank credit, while focusing on the needs of customers. During the reporting period, the Company's market transaction (matching services) amounted to RMB199.462 billion, representing a year-on-year decrease of 3.91%, which was mainly due to the sufficient supply of low-cost credit from banks in the first half of the year.

Financial institution business

With respect to its financial institution liability business, during the reporting period, the daily average balance of financial institution deposits of the Company amounted to RMB598.220 billion, representing a decrease of 9.85% as compared with the previous year. The decrease was mainly due to correction of the equity market, the shrinkage of the overall bank wealth management market, as well as the Company's refined management and control over the interest-bearing costs and its initiative to reduce high-priced deposits.

With respect to its depository service, the Company's security and future margin depository services were in stable operation. The Company conducted cooperation with 105 securities companies in third-party depository services and 16,012,300 customers were secured at the end of the reporting period, representing an increase of 3.47% as compared with the end of the previous year. In addition, the Company entered into cooperation with 94 securities companies on margin trading and short selling business, securing 567,100 customers at the end of the reporting period, representing an increase of 3.66% as compared with the end of the previous year. Also, the Company entered into cooperation with 142 futures companies on fund transfer, securing 387,300 customers at the end of the reporting period, representing an increase of 7.20% as compared with the end of the previous year. As of the end of the reporting period, the online sales value of third-party asset management products on the Company's interbank online service platform "Zhao Ying Tong(招赢通)" amounted to RMB429.831 billion, up 8.78% year-on-year.

Asset Management Business

As at the end of the reporting period, the total asset management business of CMB Wealth Management, China Merchants Fund, CIGNA & CMAM, and CMB International Capital all being subsidiaries of the Company, amounted to RMB4.41 trillion[20], basically remained the same level as compared with the end of the previous year, among which the balance of wealth management products under management by CMB Wealth Management amounted to RMB2.53 trillion, representing a decrease of 5.24% as compared with the end of the previous year; the scale of assets management business of China Merchants Fund amounted to RMB1.55 trillion, representing an increase of 4.73% as compared with the end of the previous year; the scale of asset management business of CIGNA & CMAM amounted to RMB223.725 billion, representing an increase of 35.81% as compared with the end of the previous year; the scale of asset management business of CMB International Capital amounted to RMB109.993 billion, representing an increase of 5.44% as compared with the end of the previous year.

During the reporting period, CMB Wealth Management achieved good results in risk control, structural adjustment and diversified development. As of the end of the reporting period, the balance of wealth management products was RMB2.53 trillion, representing a decrease of RMB137.254 billion as compared with the end of the previous year, but an increase of RMB72.622 billion as compared with the end of the first quarter. Among them, the balance of new products was RMB2.44 trillion, accounting for 96.44% of the balance of wealth management products. **In terms of enriching its product portfolio,** CMB Wealth Management has improved its product differentiation competitiveness, and the performance of its products has been significantly restored. In particular, the performance of fixed-income products and hybrid products has rebounded notably. Among them, the average annualised yield of the fixed-income products of Zhao Rui(招睿) reached 4.5% during the reporting period; Among Zhao Zhi's(招智) hybrid products, the average annualised yields of debt-favoured and stock-favoured hybrid products were 5.2% and 8.6%, respectively, during the reporting period, ranking the top among banks in the financial management industry. In the first half of the year, CMB Wealth Management increased the issuance of cash, short-term closed low-volatility products, and medium- and long-term maturity matching products, successively implemented strategies for allocating high-quality assets, including An Ying Prime Value Choice(安盈優選) for featured assets, Target Value(目標盈), maturity matching products holding to maturity and products with high dividend. CMB Wealth Management launched the industry's first innovative products with a target total return model which allows for the timely realisation of designated profit, and bucked the trend to deploy PR5 high-risk rated equity direct investment products. "Concessionary fee rate", that is, "No investment management fee will be charged when the net value of wealth management product is below 1" is designed to enhance the investors' experience and has attracted widespread attention from the market. **In terms of improving risk management,** CMB Wealth Management adhered to the prudent and sound risk management concept as it further strengthened credit risk management and market risk analysis, properly managed liquidity risks, conducted screening on risks in key areas and industries, and observed new rules regarding internal control and went through related rectifications in accordance with regulatory requirements. Refinement of the internal control system has been underway, and tiered compliance education programs covering all staff has been taken forward. There were no new risk assets during the reporting period. **In terms of deepening technological empowerment,** CMB Wealth Management has formulated a new three-year technological strategic plan, continued to promote the digitalisation of the technological platform (HARBOR), continued to improve the data management mechanism, optimised the data governance platform, and enhanced the effectiveness of technological empowerment. **In terms of deepening cooperation with JPMorgan Asset Management (Asia Pacific) Limited**, CMB Wealth Management has invested in 57 products of the mutual funds and dedicated fund accounts of JPMorgan Asset Management (Asia Pacific) Limited and its associates, with the total investment amounting to RMB1.190 billion as at the end of the reporting period. At the same time, 4 products were co-issued by both parties by leveraging their respective advantages in fixed income and global equity investment. As at the end of the reporting period, the total management scale of 4 products was RMB1.551 billion.

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

During the reporting period, China Merchants Fund followed the "high–quality development" requirements of mutual funds, stabilised performance, focused on reforms, improved capabilities, and kept the bottom line, and maintained steady operations under the adverse environment prevailing in the fund market. At the end of the reporting period, the total size of non-monetary mutual funds stayed at RMB558.2 billion, basically matching that at the end of the previous year. **In terms of the reform of the investment and research system,** the organisation of industry chain research teams was optimised, the building of a digital platform for investment and research was well on track while investment and research capabilities continued to grow in an "all-in-one" mode. **In terms of customer operations,** China Merchants Fund actively promoted channel and customer base development to achieve new breakthroughs in the social insurance business; moved forward with customer engagement and after-sales follow-up with the idea of "big marketing, big planning and big collaboration". **In terms of product layout,** the first-ever hybrid valuation products, products adopting valuation system with Chinese characteristics and social responsibilities funds in the industry were launched, thereby meeting the needs of investors through business model innovation. **In terms of basic management,** it strengthened value orientation, optimised human resource management, steadily promoted digitalisation, and strengthened risk control compliance and operational assurance management, and promoted the quality and efficiency enhancement of various businesses with "refined management", and no major risk compliance incidents occurred during the reporting period.

During the reporting period, CIGNA & CMAM was positioned as a professional and stable long-term capital management institution, adhered to the value creation orientation of "customer-centric", fully integrated into the Group's strategic layout and the flywheel of the parent bank, and strived to become an asset management company with core competitiveness. **With regard to the insurance fund fiduciary business,** in the face of the external environmental impact of low market interest rates and sharp volatility in the equity market, through closer collaboration with assets and liabilities of entrusting parties, CIGNA & CMAM continued to optimise asset allocation and investment strategies, and took various measures to steadily increase business volume and return and advanced the main business of life insurance. As of the end of the reporting period, the scale of insurance funds under entrusted management was RMB130.741 billion, representing an increase of 20.09% as compared with the end of the previous year. **In terms of product creation,** focusing on high-quality customers, we made comprehensive cooperation with the parent bank to build unique expertise and provide insurance asset management investment and financing service plan based on the principle of "varied policy tailored to each customer", and accelerated the creation of alternative asset management products and portfolio asset management products. Also, through various financial products and investments it continued to support national strategies, serving the real economy, and improving people's livelihood. **In terms of operation and risk management,** we proceeded with high-quality ground work, established an efficient operation and management system, continued to improve the comprehensive risk management system, accelerated the construction of digital infrastructure, and achieved steady advancement.

During the reporting period, CMB International Capital closely aligned with the Bank's strategy to build a value creation bank, seizing market opportunities and continued to promote business development. In respect of domestic asset management business, CMB International Capital has been under pressure from the market, and the private equity investments business is the core to consolidate its position in the industry. During the reporting period, two investments projects were completed domestically and overseas. In respect of overseas asset management business, in response to market dynamics, CMB International Capital adjusted its investments strategies in various categories such as fixed income, stocks, and equity asset products, and deployed investments products related to cash management and those adopting valuation system with Chinese characteristics.

Assets custody business

As of the end of the reporting period, the balance of assets under custody of the Company was RMB20.86 trillion, representing an increase of 3.99% as compared with the end of the previous year. The total scale of custody was the largest in the industry (WIND data), and its market share expanded since the end of the previous year.

During the reporting period, the Company focused on key customer groups and key businesses, continuously enriched its customer service business scenarios, achieved professionalisation, technology upgrade and differentiation of custody services, and strived to become the first custody bank that customers approach with core competitiveness. At the same time, the Company optimised the operation mode of the custody scenario, and gradually promoted centralised, automated and intelligent business operation, and the custody business reached a new level of development.

Firstly, the custody structure continued to be optimised, and key business advantages were further consolidated. As of the end of the reporting period, the Company's asset management product under custody totaled RMB16.94 trillion, representing an increase of RMB696.937 billion as compared with the end of the previous year, accounting for 86.97% of the overall increase, and representing an increase of 11.62 percentage points year-on-year, and the market share of the asset management product under custody was 10.82%, representing an increase of 0.15 percentage point as compared with the end of the previous year, while the custody business mix continued to be optimised. Among them, the scales of custody of four types of products, including bank wealth management, trusts, fund accounts, and private equity funds, ranked first in the market. Our custody business's market share for public REITs reached 40%, which is the biggest in the market. Overall, the custody business segment maintained a leading edge.

Secondly, the Company seized market opportunities and made key breakthroughs in innovating products. During the reporting period, the Company followed the policy guidance and successfully marketed and provided custody service for 2 out of 9 newly issued trading open-end index securities investments funds tracking China Reform Central SOE-Themed Indices. In terms of public REITs, out of the 4 newly offered public REITs expanded fund-raising activities, 3 of them received custodial services from the Company. In terms of cross-border business, the Company vigorously developed cross-border emerging businesses and successfully started the first QDLP (Qualified Domestic Limited Partner) fund custody business in Qingdao.

Thirdly, technology empowerment continued to optimise the "custody +" service system and improve the experience of custody customers. The Company kept on raising digital service capabilities, provided assistance for the digitalisation of the entire process of pre-investment research, investment management, and post-investment analysis for asset management institutions, and provided intelligent investments research and management tools, which were well-recognised by our customers and the industry for their distinctive features in safety, efficiency, openness, intelligence and comprehensiveness.

Financial markets business

During the reporting period, the Company continued to improve its own investment and research capabilities and customer service capabilities, strengthened risk management, and strengthened the use of Fintech. While serving the real economy, the Company achieved high-quality development in various businesses.

In terms of fixed income Investments, the Company continued to strengthen macro policy research and market analysis, improved the fixed income investments research and analysis framework, strengthened indicator tracking and monitoring, optimised the portfolio structure, and enhanced investments returns through continuous band operations and appropriate leverage strategies. At the same time, the Company continued to strengthen industry research, supported direct financing of enterprises, facilitated the development of strategic emerging industries, and closely followed the guidance of national economic strategies. During the reporting period, the transaction volume of RMB bond investments amounted to RMB1.38 trillion, representing a year-on-year increase of 15.76%.

In terms of foreign exchange and precious metals trading, the Company actively analysed the economic operating cycles, inflation trends and monetary policy directions of major international economies, upheld the principle of prudent operation, flexibly adjusted trading strategies, and continuously improved the level of investment research and strategy through Fintech.

In terms of business of tradings on behalf of customers, the Company continued to advocate the concept of neutral management of exchange rate risk to corporate customers, and helped the enterprises to fully understand and manage exchange rate risk scientifically. Also, to fulfill customer needs, the Company provided solutions for financial market risks such as exchange rate and interest rate risks faced by enterprises tailored to their main business scenarios. During the reporting period, the Company provided hedging services to 3,019 companies with a total transaction volume of USD29.639 billion.

In terms of digital transformation, the Company further deepened the digital transformation of investments trading business, built a quantitative factor library covering full-range selected assets comprising bonds, foreign exchange and precious metals, realised intelligent decision-making and automated execution of multiple business scenarios, and made positive progress in the construction of online quantitative trading platforms. The Company continued to improve the ability of digital risk control, self-developed a bond investment credit risk management system and effectively improved the foresight advantage and effectiveness of risk identification. The Company accelerated the building of online platform for customer transactions, optimised business processing procedures, and enhanced the convenience of corporate business processing. During the reporting period, the Company provided online derivative trading services to 2,596 corporate clients, with a total transaction volume of USD11.976 billion.

During the reporting period, the Northbound Trading of Swap Connect (interest rate swap market) was officially launched. As one of the first group of market makers, the Company actively performed its duties as a market maker, and provided full-time interest rate swap quotation services to foreign investors to promote interconnection between Hong Kong and the Chinese Mainland's finance markets. It facilitated trades for foreign investors and once again received the "Northbound Top Market Maker" award from Bond Connect Company Limited.

3.10.3 Distribution channel

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

Offline channels

The Company's business is mainly in the market of China, and its distribution network is mainly distributed in major central cities in the Chinese mainland and some international financial centres such as Hong Kong, New York, London, Singapore, Luxembourg and Sydney. As of the end of the reporting period, the Company has 143 branches and 1,771 sub-branches in China, 2 branch-level specialised institutions (a credit card centre and a global markets centre), 2,238 self-service banks, 5,571 self-service devices and 9,410 visual counters; The Company has a Hong Kong branch, a New York branch and a representative office in the United States, a London branch in the UK, a Singapore branch, a Luxembourg branch, a representative office in Taipei and a Sydney branch in Australia.

Online channels

Major online channels for retail

CMB APP

During the reporting period, the Company continued to deepen its core financial scenario services centered on extensive wealth management, focusing on the "people + digitalisation" service model, and continuously improving the customer experience of the CMB APP. The Company innovated online wealth products, deepened the business exploration of the open wealth ecosystem, and improved the self-service mode of online wealth management. Besides, the Company upgraded the account overview function, optimised user's account management experience, and embedded investment companion services in the key processes of the user's capital journey; optimised the intelligent recommendation system and strengthened the primary function of managing customers featured by segmentation and classification-based approach, thus providing users with more precise wealth management services.

As of the end of the reporting period, the cumulative number of users of CMB APP amounted to 197 million. During the reporting period, the maximum number of daily active users of CMB APP reached 19,578,900. The number of monthly active users was 71,300,600 as of the end of the reporting period. During the reporting period, CMB APP had 901 million transactions and a total transaction amount of RMB27.26 trillion, up by 3.33% and down by 0.58% respectively, as compared with the corresponding period of the previous year.

CMB Life APP for Credit Card

During the reporting period, the Company continued to refine the customer organisation and mobilisation capabilities of the CMB Life APP. Relying on the openness of the platform, the Company continued to build new scenarios for high-frequency credit cards consumption; the Company further enhanced the construction of digital management system, and upgraded the CMB Life APP to provide personalised services for different credit card customers and cooperative merchants. Also, the Company proceeded to set up boutique wealth management scenarios, and explored the integrated business model for both debit and credit sides. At the same time, a series of hot marketing campaigns such as "618 Save Money to Spend (618會省才敢花)," and "Exceptional Hainan (非常海南)" were launched, while festival holidays and e-commerce shop promotions were regarded as key opportunities to build up and improve the ability to mobilise large-scale online and offline customers.

As of the end of the reporting period, the cumulative number of users of CMB Life APP amounted to 140 million. During the reporting period, the maximum number of daily active users of CMB Life APP reached 6,495,500 and the number of monthly active users was 39,516,800 as of the end of the period. In terms of user engagement, CMB Life APP was in the front rank among other credit card APPs in the banking industry.

Network Operation Service

The Company's Network Operation Service Centre provides real-time, comprehensive, prompt, and professional services to its customers through approaches such as telephone, network and video and applies intelligent technology to identify and predict breakpoints so as to provide more precise and personalised services. It strengthened the service linkage with the CMB APP and offline outlets in business processing; fully dispatched the service resources of the Bank, optimised the processing method to improve the processing efficiency in handling "business that are urgent, complicated, distressing and waiting help", and switched issues that need to be processed offline to online for multi-party solutions. The Company further expanded the scope of services and service methods for elderly customers, and earnestly fulfilled social responsibilities. During the reporting period, the remote online omni-channel manual service connection rate was 98.22%, the remote online omni-channel manual service response rate within 20 seconds was 94.85%, and the remote online omni-channel customer satisfaction rate was 99.15%. With "people + digitalisation" as the core driving engine, the Company made full use of Fintech, continued to enhance the service level of intelligent robots, improved the operation system of intelligent robots, and accelerated the development of intelligent services. During the reporting period, the proportion of intelligent self-service[21] in remote response consulting services was 83.83%.

[21] It refers to the proportion of services undertaken by intelligent robots in various remote inquiries services.

Smart Service System

The Company keeps on optimising the intelligent service network with "CMB APP" and "CMB Life APP" as the core. During the reporting period, the Company further strengthened intelligent robot customer service capability and closed-loop service level of CMB APP and CMB Life APP. The CMB APP intelligent customer service focuses on improving the ability to solve individual problems by accurately predicting the intention of call-in customers, deepening the refined operation of service scenarios. Relying on CMB Life APP 9.0, the CMB Life APP intelligent customer service has been upgraded to create a panoramic smart service that accompanies users in the whole APP using journey. Through real-time prediction of user's needs, a new companion service has been offered with the service image of Xiao Zhao Miao (小招喵) as the core, reshaping intelligent services and interaction patterns. In addition, the Company accelerated the capacity upgrade of the smart wealth assistant "AI Xiao Zhao (AI小招)", and improved the "people + digitalisation" service model. During the reporting period, "AI Xiao Zhao (AI小招)" served 11,728,800 users.

Wholesale main online channels

During the reporting period, the Company used treasury management as an entry point to provide services for corporate clients' daily operations and enhance its comprehensive services offered to customers. Firstly, the Company sharpened its edge on treasury management by enhancing the platform operation capabilities of "people + digitalisation", promoting the development of the Treasury Management Cloud and strengthening the construction of intelligent service capabilities, so that services are handily available and easy to use. Secondly, with the two major service channels of online corporate banking and CMB Corporate APP, we continued to optimise the user experience. During the reporting period, we launched an upgraded version of the Mobile Treasury APP. Thirdly, we continued to build on core financial scenarios such as cross-border, billing, financing and wealth management to equip ourselves with scenario-based delivery capabilities. As of the end of the reporting period, the Company had 2,539,600 wholesale customers on the online channels, with a coverage rate of 95.89%, whereas the variety of online business handled by online corporate banking and CMB Corporate APP continued to increase. During the reporting period, the Company had 1,603,800 monthly active customers of wholesale online channels, representing a year-on-year increase of 3.42%; the total number of wholesale online channel transactions handled by the Company reached 191 million, representing a year-on-year increase of 26.49%; and the total value of wholesale online channel transactions amounted to RMB97.04 trillion, representing a year-on-year increase of 17.17%.

3.10.4 Overseas branches

Hong Kong Branch

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

During the reporting period, Hong Kong Branch optimised its business structure, focused on customer group construction, continuously innovated and developed featured businesses while expanding and strengthening its traditional banking business, and strictly enforced compliance and risk management, achieving the coordinated development of quality and efficiency. During the reporting period, Hong Kong Branch achieved a net operating income of HKD1.919 billion.

New York Branch

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

During the reporting period, New York Branch insisted on the customer-centric principle, focused on Sino-US cross-border capital and economic and trade activities, defended the bottom line of compliance and kept on improving its overall risk management capability. During the reporting period, New York Branch achieved a net operating income of USD45.9020 million.

Singapore Branch

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

During the reporting period, according to the strategic objectives of the Bank, Singapore Branch actively and steadily carried out cross-border finance and wealth management business and assisted the branch's characteristic operation with regional advantages. During the reporting period, Singapore Branch achieved a net operating income of USD11.4625 million.

Luxembourg Branch

The Luxembourg Branch of the Company, established in 2015, is positioned as an important cross-border financial platform in the continental Europe, providing comprehensive cross-border financial one-stop solutions to the Chinese companies "going global" and the companies "brought in" located in Europe. Its main services and products include: deposit-taking, lending, project financing, trade financing, M&A financing, M&A consulting, bond underwriting and asset management. The branch is also committed to building a business platform in Europe by combining the advantages of the Company and European characteristics.

During the reporting period, Luxembourg Branch worked hard to overcome the impact of the Russian-Ukraine conflict, high inflation, weakened market and other factors, focused on the strategic customers, actively sought new business growth points and made efforts to increase income and save expenses. During the reporting period, Luxembourg Branch achieved the net operating income of EUR17.1315 million.

London Branch

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

During the reporting period, London Branch focused on high-net-worth customer operation and high-quality asset origination, and the overall business operations achieved steady progress with good momentum. During the reporting period, London Branch achieved a net operating income of USD8.3328 million.

Sydney Branch

The Sydney Branch of the Company was established in 2017 and is the first branch approved to be established in Australia among all Chinese joint-stock commercial banks. Based on the overall requirement of "steady growth, improved quality and efficiency, enhanced foundation, featured business and risk prevention", the Sydney Branch adheres to the quality development path guided by our values and managed to get a foothold in businesses derived from China-Australia economic, trade and investment exchanges. The Sydney Branch focuses on the needs of the strategic customers and top-tiered customers of Australia and New Zealand, creating value for customers through providing two-way cross-border financial services. The main services and products of Sydney Branch include: settlement, foreign exchange transactions, trade financing, M&A financing and commitment business, project financing, syndicated loans and fund financing. The branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net-worth private banking customers.

During the reporting period, Sydney Branch adhered to the high-quality growth path and promoted the balanced business development with high-quality asset origination. During the reporting period, Sydney Branch achieved a net operating income of AUD20.1817 million.

3.10.5 Major subsidiaries

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

CMB Wing Lung Bank

Founded in 1933, CMB Wing Lung Bank has a registered capital of HKD1.161 billion, and it is a wholly-owned subsidiary of the Company in Hong Kong. CMB Wing Lung Bank provides customers with diversified banking products and services, including retail and private banking, corporate banking and other banking businesses. CMB Wing Lung Bank also provides asset management and insurance brokerage services through its subsidiaries. At present, CMB Wing Lung Bank has one Head Office, 28 branches and private banking centres in Hong Kong, four branches and sub-branches in the Chinese mainland, one branch in Macau, one branch in Los Angeles and one branch in San Francisco in the US and one representative office in Bangkok, Thailand.

During the reporting period, CMB Wing Lung Group realised a net profit attributable to shareholders of HKD2.154 billion and a net operating income of HKD4.941 billion, of which net interest income was HKD3.302 billion and net non-interest income was HKD1.639 billion. The cost-to-income ratio was 24.83%. As of the end of the reporting period, the total assets of CMB Wing Lung Group amounted to HKD414.708 billion. Total equity attributable to shareholders amounted to HKD46.432 billion. Total loans and advances to customers (including trade bills) amounted to HKD212.137 billion. Deposits from customers amounted to HKD326.459 billion. The loan-to-deposit ratio was 62.40%. The non-performing loan ratio (including trade bills) was 1.15%. For detailed financial information on CMB Wing Lung Group, please refer to the 2023 interim results of CMB Wing Lung Bank, which is published on the website of CMB Wing Lung Bank (www.cmbwinglungbank.com).

CMB Financial Leasing

CMB Financial Leasing is a wholly-owned company established by the Company in 2008 with a registered capital of RMB12 billion. It meets the needs of lessees to purchase equipment, promote sales, revitalise assets, balance tax burden and improve financial structure through ten major financial solutions relating to aviation, shipping, energy, infrastructure, equipment manufacturing, environment, health, culture and tourism, public transportation and logistics, intelligent interconnect and integrated circuit and leasing industry.

As of the end of the reporting period, the total assets of CMB Financial Leasing were RMB316.953 billion and the net assets were RMB31.272 billion. During the reporting period, the net profit was RMB1.617 billion.

CMB International Capital

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

As of the end of the reporting period, the total assets of CMB International Capital amounted to HKD63.515 billion, and its net assets amounted to HKD12.635 billion. During the reporting period, it realised a net profit of HKD816 million.

CMB Wealth Management

CMB Wealth Management was officially opened in 2019, and its business scope includes issuing wealth management products, providing wealth management advisory and consulting services and other businesses approved by regulatory authorities. As of the end of the reporting period, the registered capital of CMB Wealth Management was approximately RMB5.556 billion. The Company and JPMorgan Asset Management (Asia Pacific) Limited hold 90% and 10% of its shares respectively.

As of the end of the reporting period, CMB Wealth Management had total assets of RMB19.915 billion and net assets of RMB18.605 billion. During the reporting period, the net operating income was RMB2.592 billion and the net profit was RMB1.660 billion.

China Merchants Fund

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

As of the end of the reporting period, the total assets of China Merchants Fund amounted to RMB12.634 billion, and its net assets amounted to RMB8.453 billion. It realised a net profit of RMB892 million during the reporting period.

CIGNA & CMAM

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

As of the end of the reporting period, CIGNA & CMAM had total assets of RMB828 million, with net assets of RMB654 million and a net profit of RMB49 million during the reporting period.

CMB Europe S.A.

CMB Europe S.A. was approved to be established in 2021 with a registered capital of EUR100 million (including the capital increase of EUR50 million to CMB Europe S.A. by the Company in June 2023). It is a wholly-owned subsidiary of the Company in Europe and the regional headquarter of the Company in continental Europe. CMB Europe S.A. will be fully integrated into the Company's extensive wealth management system and leverage its full license advantage to provide its customers with diversified financial products and services such as cross-border financing, M&A finance, private banking, investment management, financial markets, bond underwriting, trade financing, and operates and allocates the global assets of enterprises and individuals.

As of the end of the reporting period, CMB Europe S.A. had total assets of EUR95 million and net assets of EUR94 million.

3.10.6 Major joint ventures

CIGNA & CMB Life Insurance

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

As of the end of the reporting period, the total assets of CIGNA & CMB Life Insurance amounted to RMB153.402 billion, and its net assets amounted to RMB10.219 billion. During the reporting period, CIGNA & CMB Life Insurance realised a net profit of RMB181 million.

Merchants Union Consumer Finance

Merchants Union Consumer Finance, a joint venture of the Company, was established in 2015 with a registered capital of RMB10.0 billion. As of the end of the reporting period, the Company held 50% equity interests in Merchants Union Consumer Finance and China United Network Communications Limited held the other 50% equity interests. Upon the approval from regulatory authorities, Merchants Union Consumer Finance completed the registration of the change of its Chinese name from "招聯消費金融有限公司" to "招聯消費金融股份有限公司" in July 2023. Merchants Union Consumer Finance is mainly engaged in the granting of personal consumer loans.

As of the end of the reporting period, the total assets of Merchants Union Consumer Finance amounted to RMB173.240 billion and the net assets were RMB18.628 billion. It realised a net profit of RMB1.862 billion during the reporting period.

3.11 Risk Management

Focusing on the strategy of building a value creation bank, the Company adhered to a solid and prudent risk culture and risk preferences, and was dedicated to building a fortress-style overall risk and compliance management system with the goal of "fostering a leading risk management bank". The Risk and Compliance Management Committee of the Head Office is responsible for reviewing and determining the most significant bank-wide risk management policies under the framework of risk preferences, strategies, policies and authorisations approved by the Board of Directors.

During the reporting period, the Company maintained strategic determination, and continued to increase its support for the real economy. The Company prevented and mitigated risks, consolidated management foundation, improved digital risk control capabilities, and continued to promote the construction of a fortress-style risk and compliance management system.

3.11.1 Credit risk management

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

During the reporting period, the Company paid close attention to the macroeconomic situation, actively responded to the changes, strictly adhered to the bottom line and took a number of initiatives, so as to ensure stable asset quality. First, the Company strengthened risk management and control in key areas, conducted differentiated management for key industries and key customer groups, carried out systematic risk screening for real estate sector, customers granted with large amount of credit line and other key areas, strengthened post-loan early warning management, and improved risk management standard in key areas. Second, the Company improved policy adaptability according to the strategy of "dynamic rebalancing" of industries, regions and customer bases, focused on new energy, green economy and other industries with national key support, improved industry understanding, and steadily implemented the "one branch, one policy" principle of list-based customer management system, so as to optimise the customer structure. Third, the Company sought to build a differentiated risk management model, increased support for customers such as "specialised, competitive, distinguished and innovative (專精特新)" enterprises and science and technology innovation enterprises, and facilitated the development of inclusive finance. Fourth, the Company strengthened off-balance-sheet business management in strict accordance with regulatory requirements, improved the construction of risk management system for extensive wealth management business, and optimised unified credit extension, the credit facility management and control over group customers and the limit management of customers granted with large credit facility, further consolidating the centralised management of customers. Fifth, the Company enhanced its efforts in disposal of non-performing assets, expanded the channels for disposal, and improved the quality and efficiency of collection and disposal. Sixth, the Company perfected institutional management, strengthened the empowerment of overseas branches and subsidiaries, and enhanced the risk management responsibility, so as to improve the professional capability of the personnel. Seventh, the Company strengthened the construction of risk measurement capability, improved the foundation of digital risk control, and deepened the application of Fintech, so as to facilitate the digital transformation of risk management.

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

3.11.2 Management of large-scale risk exposure

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

3.11.3 Country risk management

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

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

During the reporting period, the global geopolitical conflict continued. In the face of increasingly complex and volatile international political and economic situation, the Company dynamically updated the country risk rating according to the risk changes and strictly restricted the growth of business in high-risk countries. At the end of the reporting period, the Company's country risk exposure was mainly concentrated in relatively-low-risk countries or regions, and the Company has made adequate allowances for country risks according to the regulatory provisions. The country risk would not have a significant impact on the Company's business operation.

3.11.4 Market risk management

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

Interest rate risk management

Trading book

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

During the reporting period, due to the interest rate hike cycle of the Federal Reserve, the Sino-US interest rate spread continued to be inverted, with the RMB interest rate demonstrating an overall downward trend, while the U.S. dollar interest rate was rising generally despite the increased fluctuation. The scope of investment in the Company's trading books was mainly RMB bonds. The Company generally adopted a prudent investment strategy and targeted risk control measures to ensure that all interest rate risk indicators of the trading book remained within the target range.

Banking book

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

Adhering to a sound and prudent interest rate risk preference, the Company pays close attention to changes in the external environment and internal interest rate risk exposure structure, predicts and analyses interest rate trends based on macro-quantitative models and experts' research and judgement, proactively deploys active interest rate risk management strategies and adjusts them flexibly. During the reporting period, the Company constantly monitored and analysed various interest rate risks, especially the gap risk in the context of the interest rate downturn and the benchmark risk caused by inconsistent changes of deposit and loan interest rates, and adjusted the structure of assets and liabilities on the balance sheet and hedged interest rate derivatives off the balance sheet to manage risks. As of the end of the reporting period, the Company's on- and off-balance-sheet management measures were carried out as planned, the interest rate risk level was controlled within the Company's control target range, and various indicators including the stress test results were kept within the limits and warning values. The banking book interest rate risk was generally controllable.

Exchange rate risk management

Trading book

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

During the reporting period, under the interactions of the two major factors of fundamentals of the domestic economy and the continuous rate hikes by the Federal Reserve, RMB generally demonstrated a trend of "initially appreciation followed by a depreciation", with an accumulated depreciation of approximately 4% against the U.S. dollar in the first half of the year. The Company mainly obtained the spread income through the foreign exchange business on behalf of customers, and used the system modules to dynamically monitor the exposure of proprietary trading. By adopting close internal control and management and closely monitoring changes of limit indicators such as sensitivity index and stop loss index. All exchange rate risk indicators of the Company's trading book were within the target range as of the end of the reporting period.

Banking book

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

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

During the reporting period, the Company paid close attention to exchange rate movements, and took initiative to analyse the impact of exchange rate changes in light of the macroeconomic conditions at home and abroad. It also increased its efforts to monitor and analyse foreign exchange exposure and imposed a stringent control over the scale of foreign exchange risk exposure. The Company was prudent about the exchange rate risk. As of the end of the reporting period, the scale of the Company's foreign exchange exposure of the banking book was at a relatively low level. The exchange rate risk of the Company was generally stable with all the core limit indicators, and results in general scenarios testing and stress testing satisfying the regulatory limit requirement.

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

3.11.5 Operational risk management

Operational risk refers to the risk of loss arising from inappropriate or failed internal procedures, incompetent personnel or IT systems, or external events. In view of the scattering and wide-ranging features of operational risks, the Company's operational risk management will, based on the principles of cost-revenue matching and input-output balance, vigorously strengthen the establishment of operational risk management system to the utmost extent, implement internal control system, continue to carry out various businesses steadily and reduce or prevent operational risk losses within a certain cost. In the process of operational risk management, within the risk limits set by the Board of Directors, the Company will, through measures such as further improving the risk management mechanism, strengthening risk prevention and control in key areas, conducting in-depth risk monitoring and pre-warning, improving assessment and evaluation mechanism, and cultivating operational risk prevention culture, so as to further improve operational risk management capabilities and effectiveness, and prevent and reduce operational risk losses.

During the reporting period, striving for the goal of preventing losses arising from the risks involved in systematic and significant operations, the Company continued to improve its operational risk management system. The first was to further optimise the operational risk management system in line with the "Capital Rules for Commercial Banks (Exposure Draft)". The second was to focus on risk management and control in key business areas, carry out special investigations on agency clearing and settlement business and real estate pre-sale fund supervision business, and put forward suggestions for improving risk management. The third was to strengthen outsourcing risk management by strictly reviewing the access of outsourcing varieties. The fourth was to strengthen management on business continuity and IT risk by organising business continuity and business impact analysis, and adjusting and updating the original list of important systems and related results. The fifth was to strengthen the development of system functions, promote the reconstruction and construction of the operational risk portal and data migration, and optimise and improve the existing management tools and functions of the system. The sixth was to carry out operational risk training and promotion work. The Company conducted a number of video trainings with subsidiaries and offshore branches, communicated about the management of operational risk concurrency, and improved the skills of operational risk management personnel at all levels of organisations.

3.11.6 Liquidity risk management

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

The Company established a governing framework of liquidity risk management in accordance with the principle of separating policy formulation, strategy implementation and supervision of liquidity risk management, and clearly defined the roles, duties, and reporting procedure of its Board of Directors, Risk and Capital Management Committee, Board of Supervisors, senior management and dedicated committees, and relevant departments in liquidity risk management so as to ensure effective control over the liquidity risk.

During the reporting period, the central bank maintained a prudent monetary policy at all times and interbank market liquidity remained sufficient in a reasonable manner. Based on the analysis on macroeconomic and market trend, the Company dynamically quantified and predicted future risk conditions, and deployed asset-liability management strategies in a forward-looking manner to balance risks and returns. The first was to continue to promote the steady growth of customer deposits, take various measures to strengthen the origination of high-quality assets and continuously optimise the asset-liability structure, realising the smooth operation of assets and liabilities. The second was to strengthen the management of monetary market trading strategies to maintain sufficient liquidity reserves. The third was to flexibly carry out active liability management of the treasury based on the operation of deposit and loan businesses and liquidity indicators, expand diversified financing channels, stabilise the source of long-term liabilities through bond issuance and other means, actively conduct open market transactions and play the role of a primary dealer. The fourth was to strengthen the liquidity risk monitoring and management for business lines, overseas branches and affiliates. The fifth was to continue to carry out emergency management to effectively improve the capability to cope with liquidity risk incidents.

As at the end of the reporting period, all liquidity indicators of the Company met the regulatory requirements and the Company had sufficient funding sources to meet the needs of sustainable and healthy development of its business. In accordance with the requirements of the PBOC, the Company’s RMB statutory deposit reserve ratio was 7.25%, and the foreign exchange statutory deposit reserve ratio was 6%. The Company’s liquidity indicators operated well. Deposits maintained steady growth. Liquidity reserves were sufficient and overall liquidity was at a safe level.

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

3.11.7 Reputational risk management

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

During the reporting period, the Company strictly fulfilled the requirements of the Measures for Reputational Risk Management of Banking and Insurance Institutions, further strengthened the forward-looking management of reputational risk, continued to carry out 7*24 hours of public opinion monitoring, optimised the linkage mechanism between public opinion and consumer protection, strengthened the early warning of complaint information, and improved the ability to discover reputational risk events. The Company paid attention to the external public opinion situation and social hot spots, made efforts in reputational risk investigation and research, and properly handled negative public opinion events to avoid reputation damage.

3.11.8 Compliance risk management

Compliance risk refers to the risk of being subject to legal sanctions, regulatory punishments, material financial losses, and reputational loss as a result of the failure to observe the laws, rules and standards. The Board of Directors of the Company is ultimately responsible for the compliance of the operating activities, and delegates the Risk and Capital Management Committee under the Board of Directors to supervise the compliance risk management. The Risk and Compliance Management Committee of the Head Office is the decision-making body to manage compliance risk of the whole company under the senior management. The Company set up three lines of defence for compliance risk management and the double-line reporting mechanism through the establishment of a reticulate management structure comprising the risk and compliance management committees, compliance supervisors, compliance officers and legal and compliance departments under the Head Office and its branches as well as compliance supervisors at branch and sub-branch levels, continuously improved compliance risk management system and optimised management procedures and established a complete and effective compliance risk management system to achieve effective control of compliance risks.

During the reporting period, in the face of the severe and complex domestic and international environment, risk and challenges, the Company actively responded and adopted a series of powerful measures to build a fortress-style overall risk and compliance management system. The first was to formulate and release the "Guidelines on Internal Control and Compliance Work of CMB in 2023" to make unified arrangements for the internal control and compliance management throughout the Bank. The second was to strengthen the interpretation and conveyance of the new regulatory regulations, carry out the internalisation of external regulations in a timely manner, reinforce the implementation of the new regulatory requirements in the Company, and effectively identify, evaluate and mitigate the compliance risks of new products, new businesses and major projects, and support business innovation within the compliance framework, so as to escort the healthy development of the Company's business. The third was to strengthen the management of employee behavior, continue to carry out compliance training activities by department heads, compliance officers and compliance supervisors, organise quarterly investigations on abnormal behaviors of employees, carry out screening and re-inspection of high-risk positions, and effectively use technological tools and various employee behavior management tools such as employees' point system for minor violations, list of non-compliances and restrictions and due diligence of personnel engaged in asset business when leaving their positions, so as to implement employee behavior management in a practical manner. The fourth was to continue to improve the inspection and supervision system, set up inspection and supervision teams in the Legal Compliance Department of branches and assign additional inspectors. By focusing on the key regulatory concerns, outstanding problems identified in internal and external inspections, and weak links in management to carry out supervision and inspection, the Company effectively implemented the systems and carried out rectification in a timely manner to plug management loopholes and effectively prevent compliance risks. The fifth was to continue to carry out rectification and accountability procedures for problems identified in inspections, sort out the list of problems found in regulatory inspections on a quarterly basis, analyse the causes of the problems in depth, and carry out rectification and strict accountability procedures to form a closed loop of compliance management.

3.11.9 Money laundering risk management

Money laundering risk refers to the risk that the Company may be exposed to because of being used by the three types of activities, namely "money laundering", "terrorist financing" and "proliferation financing" in the course of conducting business and managing operations. The Company has established a relatively sound money laundering risk management mechanism, including a governance structure with clear responsibilities from the Board of Directors and senior management to ordinary employees, a comprehensive system coverage, an effective risk assessment and dynamic monitoring system, scientific anti-money laundering data governance, and elements such as targeted management of customers or businesses associated with high risks, efficient anti-money laundering automated system support, independent inspection and auditing, and continuous and effective anti-money laundering compliance training, so as to provide guarantee for the Company's stable compliance operations.

During the reporting period, the Company proactively fulfilled its anti-money laundering obligations and improved the effectiveness of its money laundering risk management. The first was to carry out ongoing operational money laundering risk assessment, enhancing the effectiveness of product-specific money laundering risk management. The second was to optimise the workflows in key areas, such as customer due diligence and transaction monitoring, continuously explore the application of financial technology and strengthen system, data and resource guarantee. The third was to improve the ability to manage customers with high risks of money laundering, and optimise and update the customer risk identification and management strategies, taking into account risk trends and changes in the operating environment. The fourth was to strengthen the export of the Group's anti-money laundering information technology capabilities and promote the implementation of the Group's anti-money laundering system in overseas branches and domestic and overseas affiliates.

3.12 Outlook and Coping Tactics

In the first half of 2023, against the backdrop of the economy and society fully returning to normal, macro policies being coordinated to produce effects early on and the triple pressure of demand contraction, supply shocks, and weakening expectations being eased, China's banking industry maintained sound operation, relatively rapid growth and overall stable asset quality. However, the banking industry is a typical cyclical industry. The current improvement in China's economic operation is mainly restorative, with insufficient endogenous momentum and demand. Economic transformation and upgrading are facing new resistance. Many difficulties and challenges still need to be overcome to promote high-quality development. Therefore, the operation and development of the banking industry is under great pressure. In this regard, the banking industry has actively implemented macro-control policies, stepped up efforts to serve the real economy, contributed to the stabilisation of the economic market, and contributed to the structural transformation and high-quality development of the economy, supporting the green and low-carbon transformation, promoting the development of inclusive finance, and supporting the rural revitalisation. The banking industry has also made efforts to resolve risks in key areas, further consolidate asset quality and maintain the bottom line against systemic financial risks.

Looking forward to the second half of the year, on the overseas front, after the interest negotiation meeting in July, the current round of Fed's rate hike cycle has been nearing its peak. The policy rate has significantly exceeded the inflation curve, reaching a restrictive level. However, due to the resilience of inflation and employment, the current round of rate hike cycle in the U.S. may last longer at high level. As the spot and lagged effects of monetary tightening gradually emerge, the growth momentum of the U.S. economy witnesses a tendency towards decline. The economic resilience of the Eurozone is weaker than that of the U.S., and the process of deinflation is slower than that of the U.S., which may result in its falling into "stagflation". The European Central Bank will continue to focus on combating inflation in the short term, and the peak of the rate hike cycle may lag behind that of the U.S.

On the domestic front, recovery and transformation will become the main line of the economy in the second half of the year, and growth momentum is expected to strengthen marginally under the policy support, and it is expected that the annual GDP growth rate will realise the target of 5%. On the demand side, first, consumption will become the main driver of economic growth from a low base, and the normalisation of economic activities will continue to support the rebound of service consumption, while consumption of non-durable goods is expected to continue to recover moderately. However, it will take time for residents' income and confidence to fully recover, which may restrain recovery of consumption of durable goods to certain extent. Second, investment is expected to grow steadily, of which infrastructure investment is expected to maintain high growth with the support of incremental tools, manufacturing investment is expected to maintain steady growth, real estate investment may continue to shrink significantly, and the decline is expected to narrow as the economy recovers. Third, the momentum of foreign trade was dragged down by the downturn in the global economic and trade prospects, and the dollar value of exports is expected to post slightly negative annual growth. As the goods trade surplus narrows and the services trade deficit widens, the difference between net exports of goods and services will further narrow and their contribution to economic growth will weaken. On the supply side, industrial production is expected to stabilise and recover, the production momentum of the service sector is expected to maintain prosperity and the profits of industrial enterprise are expected to improve gradually. The speed of improvement in demand and expectations will determine the slope of corporate production and profit recovery. Inflation is expected to rebound moderately in the second half of the year, and PPI deflation is expected to be maintained throughout the year, and the year-on-year decline will gradually converge. CPI inflation is also expected to bottom out in the middle of the year, and then stabilise and pick up. Looking forward to the second half of the year, the regulation of macro policy is expected to be intensified, which will underpin the economic growth. The broad liquidity surplus (the scissors difference between M2 and the growth rate of social financing) is expected to converge accordingly and return to normal.

At present, the driving role of science and technology as the primary productive force is becoming more prominent, the driving force of economic growth is changing rapidly, and the balance sheet of customers is shifting from "expansion" to "adjustment", and the risk environment is becoming increasingly complex. These changes are profoundly affecting the development of the banking industry, bringing both new significant challenges and opportunities, and have strengthened the Company's determination to advance its strategy of building a value creation bank, develop new advantages in differentiated competition and shape Malik growth curve.

The first is to promote the four major sectors to form a balanced and coordinated business pattern with distinctive features. The Bank will deepen and refine its retail finance business, making it a strong support for the penetration of corporate customer services, a ballast stone for high-quality asset business, the main channel for wealth management and asset management, and a backbone bridge for peer cooperation. The Bank will refine and strengthen its corporate finance business to make it the main channel for acquiring high-quality retail customers, an important source of high-quality liabilities, and become an originator of high-quality assets. The Bank will accelerate the specialisation and innovation of its investment banking and financial market business, and become the service provider of corporate customers and the main force of light asset origination. The Bank will enhance its wealth management and asset management businesses to become a product supplier for client investments, a funder for investment banking and financial markets, and a contributor to investment research and asset allocation capabilities.

The second is to accelerate the transformation of wealth management. The Bank will enhance value creation capabilities with promoting and optimising the asset allocation service system as the starting point, and heighten the service capabilities of "people + digitalisation", represented by the upgrading of artificial intelligence applications. The Bank will improve risk management capabilities by revolving around customer investment and product lifecycle management. The symbiosis and co-prosperity capabilities of the ecosystem will be upgraded with the direction of investment-research sharing and product creation cooperation.

The third is to strengthen the development of asset origination capabilities. Adhering to the emphasis on both volume and pricing, the Bank will continue to optimise the customer structure, business structure, asset structure and regional structure, promote the orderly expansion of customers surrounding the modern industrial system and strengthen the origination of medium- and long-term assets in an effort to bolster up comprehensive operation. The Bank will keep up its retail loans efforts by accelerating the development of loans to small- and micro-sized enterprises and consumer finance business, thereby continuously promoting innovation in sub-sectors.

The fourth is to comprehensively promote the construction of the "Digital CMB". Focusing on the transition to online, data-based, intelligent, platform-based and ecological operation, the Bank will further release the benefits of comprehensive cloud access, increase the exploration and application of cutting-edge fields such as artificial intelligence and privacy computing, promote data assets as core assets and key productivity, pay close attention to privacy security, data security, network security and other risks brought by technology, improve governance capabilities, and ensure the continuity and sustainability of technology applications and business development.

The fifth is to keep on developing a fortress-style overall risk and compliance management system. The Bank will strengthen risk management capabilities, enhance awareness of industries, regions, markets, customer groups and risks, promote and optimise the "dynamic rebalancing" strategy, and explore differentiated and refined risk management models. The Bank will enhance risk prevention and resolution in key areas, enhance the awareness to various new types of risks, and improve risk strategy foresight and risk resolution initiatives. The Bank will strengthen risk exposure management, expand comprehensive risk management perspectives, strengthen customer concentration management, and steadily promote the construction of the Group's risk management system. The Bank will also strengthen the construction of risk compliance concepts and culture.

The sixth is to thoroughly implement its development strategy in key regions. Based on the characteristics of the economic structure of the regions where the branches are located, the Bank will formulate differentiated development strategies, creating local characteristics of CMB and regional characteristics within CMB. The Bank will further strengthen its branches in the Yangtze River Delta, the Pearl River Delta, Chengdu-Chongqing Region and West Side of Taiwan Strait, and enhance the development of its secondary branches and county-level sub-branches to improve the quality and efficiency, so as to create new growth poles.

The seventh is to build a management system in line with the value creation bank. The Bank will comprehensively improve the management level of management concepts, methods, tools, technologies and processes, promote the transformation of the management concept of the Head Office and branches from control to empowerment, and the management model from traditional segmented management to flat management. The Bank will also strengthen systematic thinking, strengthen overall management, strive to balance multiple objectives, and improve management efficiency and innovation speed. The Bank will deepen the "Six Can-do" mechanism to continuously improve the quality and efficiency of human resource management.

Environmental, Social and Governance (ESG)

4.1 ESG Review

With the sustainable development goal of "committing to sustainable finance, enhancing sustainable value and promoting sustainable development", the Company proactively improved the social responsibility management mechanism, fully communicated with stakeholders, and earnestly fulfilled its corporate social responsibilities, thereby continuously contributing to sustainable economic and social development.

4.2 Environmental Information

During the reporting period, in order to support the country's "3060" target of achieving carbon peaks and carbon neutrality, the Company comprehensively promoted green finance and green operations to build a better home. The Company did not have any environmental violation during the reporting period.

Green finance

In terms of green credit, during the reporting period, the Company constantly improved the management system, as well as incentive and restraint mechanism of green credit to meet the requirements of the Green Finance Guidelines of China's banking regulatory authorities. As of the end of the reporting period, the Company's green loan balance was RMB387.899 billion, representing an increase of 9.16% as compared with the end of the previous year, mainly in the fields of energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrade of infrastructure and green services. Carbon emission reduction loans of RMB6.071 billion were issued to 97 projects, with a weighted average interest rate of 3.07%, resulting in a carbon emission reduction of 1,374,700 tons of CO_2 equivalent. During the reporting period, CMB Financial Leasing, a subsidiary of the Company, granted loans of RMB33.718 billion in green leasing, with a closing loan balance of RMB130.339 billion, representing an increase of 23.70% as compared with the end of the previous year.

With respect to green bonds, during the reporting period, the Company issued the world's first blue floating-rate bond with an issuing scale of USD400 million. The proceeds raised will be applied to support sustainable water resources management and offshore wind power projects, contributing to water ecological protection, marine renewable energy and marine economic construction. At the same time, the Company assisted 14 companies in issuing 20 green bonds, of which the Company has lead-underwritten a total value of RMB14.704 billion, and the funds raised were invested in the construction and operation of renewable energy facilities, urban and rural public passenger and freight transportation, and comprehensive utilisation of solid waste, water resources conservation and other fields.

With respect to green wealth management, CMB Wealth Management, a subsidiary of the Company, vigorously introduced wealth management products with ESG philosophy. As of the end of the reporting period, a total of 4 ESG-themed products were issued, with an existing fund size of RMB2.684 billion.

In terms of green investment, CMB Wealth Management, a subsidiary of the Company, gave priority to the investment in green bonds. As of the end of the reporting period, the balance of investments in green bonds was RMB31.308 billion. China Merchants Fund, a subsidiary of the Company, has established a sustainable investment decision-making committee, which is responsible for implementing the ESG investment philosophy in the formulation of basic policies and major investment decisions for fund or entrusted asset investment. During the reporting period, China Merchants Fund issued and established China Merchants Social Responsibility Hybrid Securities Investment Fund, which raised RMB3 billion, reaching the upper limit, and has filed for the issuance of the first group of green bond index funds in the industry to help the development of green finance. As of the end of the reporting period, the China Merchants Fund maintained 9 ESG-related products with an existing fund size of RMB7.318 billion, an increase of 99.84% as compared with the end of the previous year.

Green operation

With regard to green operation, the Company actively discharged its corporate social responsibilities in pursuit of the sustainable development featuring green, environmentally friendly and low-carbon concepts, lending strong support to the construction of ecological civilisation and high-quality development. Firstly, the Company continued to promote the construction of an energy management platform which provided access to 69% of the energy data of the Head Office and branches. Secondly, the Company implemented green and low-carbon procurement, and give priority to the purchase of energy-saving and environmentally friendly products and services. Thirdly, the Company promoted waste sorting and recycling to reduce waste from the source. Fourthly, the Company promoted shared office, improved the utilisation of office space, saved resources, and practised low-carbon office. Lastly, the Company carried out a series of green promotion activities to promote green commuting, energy saving, food saving, and carbon emission reduction, and implanted green office awareness among staff, creating a green development atmosphere.

4.3 Social Responsibility Information

Serving the real economy

The Company closely followed the development trend of the national economy, firmly complied with the requirements of national policies, and increased loan extension in key areas such as green economy, manufacturing, technological innovation and inclusive finance, so as to continuously improve the quality and efficiency in serving the real economy. As of the end of the reporting period, the Company's balance of loans to manufacturing industry was RMB524.221 billion, representing an increase of 18.11% as compared with the end of the previous year; balance of loans to strategic emerging industry was RMB335.242 billion, representing an increase of 10.89% as compared with the end of the previous year; and balance of loans extended to technology enterprises was RMB378.014 billion, representing a 16.23% increase as compared with the beginning of the year. The Company provided comprehensive financial services to 36,400 "specialised, competitive, distinguished and innovative (專精特新)" enterprises (including state-level small giants and provincial and municipal small- and medium-sized enterprises that are categorised as "specialised, competitive, distinguished and innovative (專精特新)" enterprises), and 5,870 such enterprises had a loan balance of RMB114.870 billion. During the reporting period, the Company granted loans totalling RMB308.762 billion to inclusive small and micro enterprises. At the end of the period, the balance of loans to inclusive small- and micro enterprises was RMB763.129 billion, representing an increase of 12.50% as compared with the end of the previous year. The total number of registered users of CMB Zhao Dai (招貸) APP reached 3,251,900. During the reporting period, 295,700 applications for small and micro loans (including mortgage loans and small and micro flash loans (小微閃電貸)) were completed through CMB Zhao Dai (招貸) APP, with credit lines granted totalled RMB154.103 billion, representing a year-on-year increase of 44.10%.

As of the end of the reporting period, the balance of wealth management investment assets of CMB Wealth Management, the Company's subsidiary, used to support the real economy businesses accounted for 69.92% of the total investment assets, injecting impetus into real enterprises at different stages of operation and development. To be specific, the balance of investment in manufacturing enterprises and enterprises with technology attributes reached RMB78.964 billion and RMB59.105 billion, respectively.

Support the improvement of people's livelihood

In terms of supporting the improvement of people's livelihood, the Company supports the Ministry of Human Resources and Social Security in the issuance and application of electronic social security cards. As of the end of the reporting period, a total of 54.6198 million electronic social security cards had been issued, and social security inquiry, qualification certification and other convenience services were offered online for insured persons. The Company continued to carry out strategic cooperation with the National Healthcare Security Administration to promote the activation of electronic medical insurance certificates, medical insurance inquiry service and application of the certificate code. As at the end of the reporting period, the Company activated an aggregate of 22,718,300 of electronic medical insurance certificates. The nationwide medical insurance inquiry function was launched on the CMB APP, with service capabilities covering all insured persons across the country, providing users with a convenient medical insurance service experience.

Access to financial services

With regard to offline channels, the Company continued to promote the construction and layout optimisation of domestic branches. During the reporting period, 23 new outlets were opened, 16 existing outlets were relocated and optimised, and 97 outlets were furnished and renovated. Benefiting from the steady increase in the number of outlets and scientific location selection, the effective coverage of our outlets was further expanded and more efficient offline financial services were offered to customers.

In terms of online channels, the Company continued to improve the construction of the "New Citizen Financial Services Zone" in CMB APP, providing new citizens with more than 20 one-stop financial services to meet their financial needs. At the same time, the Company actively promotes the elderly-oriented transformation of service channels to ensure that all people can equally enjoy high-quality financial services. For elderly customers, the "Voice Customer Service" function is launched on the CMB APP "Elder Version". Through customised strategies, it is convenient for the elderly customers to quickly access manual consultation and answering services when using the APP. As at the end of the reporting period, the "Elder Version" accumulatively served 620,000 customers. At the same time, the 95555 phone service continues to provide personalised services and a more concise service menu for the elderly customers, indicating that elderly customers can quickly access the elderly-friendly exclusive manual phone service. At the same time, a one-to-one same-screen operation guidance service is provided for the elderly customers in the CMB APP "Elder Version", making the service more convenient and intuitive. During the reporting period, 75,000 phone and text quick access services were provided to elderly customers, with a call-through rate of 98.52% and a customer satisfaction rate of 98.76%.

Information security and privacy protection

The Company attaches great importance to customer privacy protection and data security management. It actively implemented the requirements of national laws and regulations such as "Cybersecurity Law of the People's Republic of China"《中華人民共和國網絡安全法》, the "Personal Information Protection Law of the People's Republic of China"《中華人民共和國個人信息保護法》 and the "Personal Financial Information Protection Technical Specification"《個人金融信息保護技術規範》, as well as the financial industrial standards, and made every effort to ensure the security of customer information.

In the acquisition and use of personal information, the Company adhered to the principles of legal compliance, minimum necessity, openness and transparency, integrity and credibility, quality assurance, and safety assurance. Building on the "Management Measures for Retail Finance Personal Information of China Merchants Bank (Fifth Edition)"《招商銀行零售金融個人信息管理辦法(第五版)》, the Company further refined the safety protection system for the whole life cycle from the collection, transmission, use, sharing and saving of retail financial personal information, as well as the treatment mechanism for personal information protection such as risk management, supervision and inspection, and personal information complaint channel, and earnestly carried out user tiered and classified authorisation management. In addition, the Company strictly controlled the scope of authorisation for personal information inquiry, enhanced the safety impact assessment and management on the use of personal information, and standardised the approval management of personal information use. At the same time, the Company carried out internal control and compliance inspection, implemented system and product risk investigations for personal information protection, strengthened the publicity and education of personal information protection to enhance customers and employees' awareness of such, in order to strictly prevent the risks associated with information leakage.

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

Consumer rights protection

The Company attaches great importance to the protection of consumer rights, fulfills requirements of various laws and regulations, financial policies and regulatory bodies for the protection of consumer rights, and incorporates the protection of consumer rights into corporate governance, corporate culture construction and business development strategies. Through the launch of the "Year of Service Quality Improvement" campaign, we insisted on taking the lead in providing service and listening to customers, with a view to effectively protecting the rights and interests of consumers.

During the reporting period, the Company further promoted the implementation of the consumer rights protection system and mechanism, investigated root causes and carried out rectification for major complaints that customers were concerned about, and launched a service improvement project to optimise and improve the Company's systemic problems in business processes and service processes from top to bottom. In the annual performance appraisal plan, more weight has been assigned to performance evaluation indicators of consumer interest protection.

During the reporting period, the Company conducted 46,792 consumer rights protection reviews, covering 100% of the products and services, with 99.33% of the consumer rights protection review comments being adopted. The Company vigorously organised internal training on consumer rights protection, and established knowledge maps on consumer rights protection according to different positions and tiers. The Company carried out centralised and regular financial literacy publicity and education activities. During the reporting period, 10,337 online and offline publicity and education activities were carried out, which attracted over 250 million attendances from consumers. The Company's new media brand "Zhao Xiao Bao (招小寶)" for financial literacy publicity and consumer education was selected as a typical case of the year of the consumer rights protection by the "China Banking and Insurance News".

During the reporting period, the Company continued to optimise the complaint management system, intensively administer the underlying complaint data and improve the complaint monitoring system, further improve the ability to investigate the root causes of complaint and rectify the issues concerned and the ability to improve business value; further improve the diversified mechanism for resolving disputes and continuously enhance the efficiency of handling consumer complaints.

Rural revitalisation

The Company resolutely implemented the relevant requirements from the Central Committee of the Communist Party of China and the State Council on targeted assistance and rural revitalisation, and continuously promoted the rural revitalisation and targeted assistance work for the "five major revitalisations", namely rural industry revitalisation, talent revitalisation, cultural revitalisation, ecological revitalisation and organisation revitalisation. According to the idea of "education enhancement, medical security, industrial support, and improvement of human settlement", the Company formulated the "Assistance Work Plan of China Merchants Bank for Rural Revitalisation and Poverty Alleviation Work for 2023", which specified the poverty alleviation goals, poverty alleviation objects and revitalisation measures, focused on industry, expanded education and medical assistance, and explored the establishment of a long-term mechanism to effectively link poverty alleviation with rural revitalisation. During the reporting period, the Company invested a total of RMB44.61 million in assistance funds for 49 poverty alleviation projects in Wuding and Yongren counties in Yunnan province where projects that have a strong ability to drive wealth and are closely related to the lives of the people were prioritised and remarkable results were achieved.

Charity

During the reporting period, the Company continued to participate in public welfare and charity events by making total external donations of RMB47.84 million, thereby contributing to the promotion of social equity and improvement of people's livelihood and well-being.

The Company has carried out in-depth volunteer service activities, actively preparing for the establishment of the CMB charity alliance. With the theme of "Volunteer service giving care, showing a new model of civilised practice", a series of volunteer service activities were carried out, covering publicity and education, traditional cultural inheritance and other fields; wide concerns and recognition from the society had been drawn.

Since 2012, in order to fulfill its corporate social responsibility, the Company has innovatively combined public welfare with credit card points, and launched the public welfare platform named "Donating Small Points for Micro Charity (小積分•微公益)". Customers can participate in projects like "Free Lunch for Children (兒童免費午餐)", "Yangfan Charity Books (揚帆公益圖書)" and "Prairie Conservation Project (草原保護計劃)" by donating a minimum of 1 point. As of the end of the reporting period, the platform had donated a total of 586 million points which translated into donations of 2,740,900 children's free lunches and 334,900 books for public welfare.

Human capital development

The Company is committed to eliminating gender discrimination in recruitment, adheres to the principle of equal remuneration and benefits for men and women in salary management, and provides employees with equal opportunities for training and career development.

The Company has established a standardised, professional, digital, and multi-level talent training system, and adopts diversified online and offline training methods to continuously improve the systematisation, pertinence and effectiveness of training. The training content mainly includes business and product knowledge, professional ethics and safety, cultural values, leadership and other aspects, covering the professional growth needs of employees at different levels.

The Company respects and protects the employees' right to know, participate, express and supervise the organisation's operation and management. The Company maintains a comprehensive corporate democratic management system based on the staff representatives' meeting, listens to staff opinions, and gives full play to the democratic management function. During the reporting period, the Company organised two staff representatives' meetings, by-elected two employee supervisors and one member of the special committee of the staff representatives' meeting, and reviewed and approved 6 items presented for discussion which are systems and rules concerning the interests of employees including the "China Merchants Bank Labor Contract Management Measures (Third Edition)". As such, the Company safeguarded the legitimate rights and interests of employees, and further enhanced their sense of belonging.

4.4 Governance Information

The Company continues to promote the improvement of the corporate governance mechanism, improve the corporate governance level, adhere to the concept of stable development and prudent risk management, and serve the transformation and upgrading of the national economy and the people's yearning for a better life with its own high-quality development. The core of the Company's corporate governance mechanism is to adhere to the leadership of the Party, and integrate the leadership of the Party into all aspects of corporate governance. The key to the Company's corporate governance mechanism is to adhere to the principle of president assuming full responsibility under the leadership of the Board of Directors, the market-based talent selection and employment mechanism, and the remuneration incentive mechanism. The Company's shareholding structure is reasonable and the shareholders' behaviors are regulated. The Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the senior management maintain separate roles and responsibilities, clear division of labour and close collaboration among them, which provides a fundamental guarantee for the long-term, healthy and sustainable development of the Company.

During the reporting period, the Board of Directors of the Company proactively performed its relevant duties in inclusive finance, green finance, data governance, human resources, consumer rights protection and social responsibilities. The Board of Directors officially renamed the "Strategy Committee of the Board of Directors" to the "Strategy and Sustainable Development Committee of the Board of Directors" to further strengthen the ESG coordination responsibilities of the Strategy and Sustainable Development Committee of the Board of Directors, and improved the design of the ESG top-level governance structure, so as to live out the social responsibility concept – originating from society and repaying to society. The Board of Directors and its relevant special committees have successively reviewed the "2022 Sustainable Development Report", the "Inclusive Finance Development for 2022 and Work Plan for 2023", the "Data Governance Work Summary for 2022 and Work Plan for 2023", the "Human Resources Management and Talent Strategy Implementation Report for 2022", the "China Merchants Bank's"14th Five-Year" Strategic Plan (Revised Edition)", the "Report on the Development of Internet Loans for 2022 and Work Plan for 2023", "Report on the Protection of Consumer Rights and Interests for 2022", the "2022 Consumer Complaint Analysis Report" and other relevant proposals to ensure the implementation of inclusive finance, green finance, human capital, and consumer rights protection across the Bank. The Bank continued to deepen the practice of sustainable development, and worked together with stakeholders to achieve high-quality development in pursuit of higher quality, more efficiency, fairness, sustainability and security.

During the reporting period, the Board of Supervisors of the Company reviewed the "2022 Sustainability Report", "Inclusive Finance Development for 2022 and Work Plan for 2023", the "Data Governance Work Summary for 2022 and Work Plan for 2023", the "China Merchants Bank's '14th Five-Year Plan' Strategic Plan (Revised Edition)", the "Report on the Development of Internet Loans for 2022 and Work Plan for 2023", "Report on the Protection of Consumer Rights and Interests for 2022" and the "2022 Consumer Complaint Analysis Report" and other relevant proposals, focusing on the Board of Directors and senior management's duty performance on the issues related to inclusive finance, green finance, consumer rights protection and social responsibilities.

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

Corporate Governance

5.1 Overview of Corporate Governance

During the reporting period, the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the special committees under the Board of Directors and the Board of Supervisors of the Company functioned in an efficient manner, fully secured the compliance and prudent operation of the Company, and ensured sustainable and healthy development of the Company. During the reporting period, the Company convened 1 Shareholders' general meeting; convened 10 meetings of the Board of Directors, including 4 on-site meetings and 6 meetings voted by way of written resolution, at which 62 resolutions were considered and 11 reports were delivered; convened 20 meetings of special committees under the Board of Directors, including 3 meetings of Strategic and Sustainable Development Committee, 4 meetings of Audit Committee, 2 meetings of Related Party Transactions Management and Consumer Rights Protection Committee, 4 meetings of Risk and Capital Management Committee, 5 meetings of Nomination Committee, and 2 meetings of Remuneration and Appraisal Committee, at which 83 resolutions were considered and 13 reports were delivered; convened 8 meetings of the Board of Supervisors, including 1 on-site meeting and 7 meetings voted by way of written resolution, at which 32 resolutions were considered and 16 reports were delivered; convened 5 meetings of special committees under the Board of Supervisors, including 4 meetings of Supervisory Committee and 1 meeting of Nomination Committee, at which 8 resolutions were considered. 1 collective research was organised by the Board of Supervisors. Having conducted thorough self-inspection, the Company was not aware of any non-compliance of its corporate governance practice with the requirements set out in the CSRC's regulatory documents governing the corporate governance of listed companies during the reporting period.

5.2 Information about Shareholders' General Meetings

During the reporting period, the Company convened one Shareholders' general meeting, namely the 2022 Annual General Meeting held in Shenzhen on 27 June 2023. The notice, convening, holding and voting procedures of the meeting were all in compliance with the relevant provisions of the Company Law of the People's Republic of China, the Articles of Association of China Merchants Bank Co., Ltd. and the Hong Kong Listing Rules. The meeting reviewed and approved 10 resolutions, including the 2022 Work Report of the Board of Directors, the 2022 Work Report of the Board of Supervisors, the 2022 Annual Report (including the audited financial report), the 2022 Financial Statement Report, the 2022 Profit Distribution Plan (including the declaration of the final dividends), the appointment of accounting firm for the year 2023, the Related Party Transaction Report for 2022, Capital Management Plan for 2023-2027 and the election of the members of the Twelfth Session of the Board of Directors of China Merchants Bank. For the relevant details of the resolutions considered at the meeting, please refer to the 2022 Annual General Meeting documents, general meeting circulars and the announcement of shareholders' meeting resolutions and other disclosure documents published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

5.3 Directors, Supervisors and Senior Management

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)
Miao Jianmin	Male	1965.1	Chairman	2020.9–2025.6	–	–
			Non-Executive Director	2020.9–2025.6		
Hu Jianhua	Male	1962.11	Non-Executive Director	2022.10–2025.6	–	–
Sun Yunfei	Male	1965.8	Non-Executive Director	2022.10–2025.6	–	–
Wang Liang	Male	1965.12	Executive Director	2019.8–2025.6	300,000	300,000
			President and Chief Executive Officer	2022.6–2025.6		
Zhou Song	Male	1972.4	Non-Executive Director	2018.10–2025.6	–	–
Hong Xiaoyuan	Male	1963.3	Non-Executive Director	2007.6–2025.6	–	–
Zhang Jian	Male	1964.10	Non-Executive Director	2016.11–2025.6	–	–
Chen Dong	Male	1974.12	Non-Executive Director	2022.10–2025.6	–	–
Zhu Jiangtao	Male	1972.12	Executive Director	2023.8–2025.6	198,800	198,800
			Executive Vice President	2021.9–2025.6		
			Chief Risk Officer	2020.7–2025.6		
Wong See Hong	Male	1953.6	Independent Non-Executive Director	2017.2–(Note 1)	–	–
Li Menggang	Male	1967.4	Independent Non-Executive Director	2018.11–(Note 1)	–	–
Liu Qiao	Male	1970.5	Independent Non-Executive Director	2018.11–(Note 1)	–	–
Tian Hongqi	Male	1957.5	Independent Non-Executive Director	2019.8–2025.6	–	–
Li Chaoxian	Male	1958.9	Independent Non-Executive Director	2021.8–2025.6	–	–
Shi Yongdong	Male	1968.11	Independent Non-Executive Director	2021.8–2025.6	–	–
Luo Sheng	Male	1970.9	Shareholder Supervisor	2022.6–2025.6	–	–
Peng Bihong	Male	1963.10	Shareholder Supervisor	2019.6–2025.6	–	–
Wu Heng	Male	1976.8	Shareholder Supervisor	2016.6–2025.6	–	–
Xu Zhengjun	Male	1955.9	External Supervisor	2019.6–2025.6	–	–
Cai Hongping	Male	1954.12	External Supervisor	2022.6–2025.6	–	–
Zhang Xiang	Male	1963.12	External Supervisor	2022.6–2025.6	–	–
Cai Jin	Female	1970.7	Employee Supervisor	2021.12–2025.6	133,150	133,150
Cao Jian	Male	1970.10	Employee Supervisor	2023.3–2025.6	127,000	127,000
Yang Sheng	Male	1972.8	Employee Supervisor	2023.6–2025.6	157,700	157,700
Wang Yungui	Male	1963.6	Executive Vice President	2019.6–2025.6	210,000	210,000
Zhao Weipeng	Male	1972.3	Secretary of the Party Discipline Committee	2023.08–present	–	–
Wang Xiaoqing	Male	1971.10	Executive Vice President	2023.7–2025.6	–	–
Zhong Desheng	Male	1967.7	Executive Assistant President	2021.10–present	177,300	177,300
Wang Ying	Female	1972.11	Executive Assistant President	2023.2–present	200,000	230,000
Peng Jiawen	Male	1969.5	Executive Assistant President	2023.2–present	167,700	216,900
			Chief Financial Officer	2023.2–2025.6		
			Secretary of the Board of Directors	2023.6–2025.6		
Jiang Chaoyang	Male	1967.12	Chief Information Officer	2019.11–present	198,100	198,100
Su Min	Female	1968.2	Former Non-Executive Director	2014.9–2023.3	–	–
Xiong Liangjun	Male	1963.2	Former Chairman of Board of Supervisors, Employee Supervisor	2021.8–2023.6	240,000	240,000
Wang Wanqing	Male	1964.9	Former Employee Supervisor	2018.7–2023.3	183,000	183,000
Wang Jianzhong	Male	1962.10	Former Executive Vice President	2019.4–2023.2	240,200	240,200
Shi Shunhua	Male	1962.12	Former Executive Vice President	2019.4–2023.2	245,000	245,000
Li Delin	Male	1974.12	Former Executive Vice President	2021.3–2023.7	204,400	204,400
Xiong Kai	Male	1971.4	Former Secretary of the Party Discipline Committee	2021.7–2023.7	225,600	225,600

Notes:

(1) According to the Rules for the Independent Directors of Listed Companies, the term of office of Independent Directors shall not exceed six years. Therefore, the actual term of office of the Independent Directors, Mr. Wong See Hong, Mr. Li Menggang and Mr. Liu Qiao, will expire earlier than the expiration time of the Twelfth Session of the Board of Directors of the Company.

(2) As at the end of the reporting period, the spouse of Mr. Zhou Song held 23,282 A Shares in the Company; the spouse of Mr. Yang Sheng held 122,200 A Shares in the Company; and Ms. Cai Jin held 133,150 shares in the Company, which consisted of 128,600 A Shares and 4,550 H Shares. The shares held by others listed in the above table were all A Shares. The changes in the shareholding of the people listed in the above table during the reporting period were all resulting from shareholding increase.

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

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

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

Directors

In January 2023, according to the resolution of the 11th meeting of the Twelfth Session of the Board of Directors of the Company, the Board of Directors elected Mr. Sun Yunfei as the Vice Chairman of the Twelfth Session of the Board of Directors of the Company, and his qualification as the Vice Chairman is subject to the approval of the National Administration of Financial Regulation.

In March 2023, Ms. Su Min ceased to be a Non-Executive Director of the Company due to reaching the retirement age.

In June 2023, according to the relevant resolutions passed at the 2022 Annual General Meeting of the Company, Mr. Zhu Jiangtao was elected as the Executive Director of the Company, whose qualification as the Executive Director was approved by the National Administration of Financial Regulation in August 2023, and Mr. Huang Jian was elected as the Non-Executive Director of the Company, and his qualification is subject to the approval of the National Administration of Financial Regulation.

Supervisors

In March 2023, Mr. Cao Jian was elected as the Employee Supervisor of the Company by the employee representative meeting of the Company. Mr. Wang Wanqing ceased to be the Employee Supervisor of the Company due to his age.

In June 2023, Mr. Yang Sheng was elected as the Employee Supervisor of the Company by the employee representative meeting of the Company. Mr. Xiong Liangjun ceased to be the Chairman of the Board of Supervisors and Employee Supervisor of the Company due to his age.

Senior management

In January 2023, Mr. Zhong Desheng was appointed as the Executive Vice President of the Company at the 11th meeting of the Twelfth Session of the Board of Directors of the Company, and his qualification is subject to the approval of the National Administration of Financial Regulation.

In January 2023, Mr. Wang Xiaoqing was appointed as the Executive Vice President of the Company at the 11th meeting of the Twelfth Session of the Board of Directors of the Company. In July 2023, the qualification of Mr. Wang Xiaoqing as the Executive Vice President was approved by the National Financial Regulatory Administration.

In February 2023, Mr. Wang Jianzhong and Mr. Shi Shunhua ceased to be the Executive Vice Presidents of the Company due to reaching the retirement age.

In February 2023, Mr. Peng Jiawen was appointed as the Chief Financial Officer of the Company at the 12th meeting of the Twelfth Session of the Board of Directors of the Company. Due to the change in assignment in the Bank, Mr. Wang Liang ceased to be the Chief Financial Officer of the Company and the Secretary of the Board of Directors.

In February 2023, the qualifications of Ms. Wang Ying and Mr. Peng Jiawen as the Executive Assistant President were approved by the former CBIRC. In June 2023, the qualification of Mr. Peng Jiawen as the Secretary of the Board of Directors was approved by the National Financial Regulatory Administration.

In July 2023, Mr. Li Delin ceased to be the Executive Vice President of the Company due to change of work arrangement.

In July 2023, Mr. Xiong Kai ceased to be the Secretary of the Party Discipline Committee of the Company due to change of work arrangement.

In August 2023, Mr. Zhao Weipeng was appointed as the Secretary of the Party Discipline Committee.

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

5.3.2 Changes in information of Directors and Supervisors

1. Mr. Hu Jianhua ceases to serve as a Director and General Manager of China Merchants Group Ltd. due to age.

2. Mr. Zhou Song concurrently serves as the Chairman of China Merchants Innovative Investment Management Co., Ltd..

3. Mr. Hong Xiaoyuan ceases to serve as Assistant General Manager of China Merchants Group Ltd. and General Manager of China Merchants Financial Holdings Co., Ltd. due to age, and ceases to concurrently serve as the Chairman of China Merchants Capital Investments Co., Ltd., China Merchants United Development Company Limited and China Merchants Innovative Investment Management Co., Ltd..

4. Mr. Wong See Hong concurrently serves as an independent Director of Frasers Property Limited (a company listed on the Singapore Stock Exchange).

5. Mr. Li Menggang ceases to concurrently serve as the Deputy Director of the Independent Board Committee of China Association for Public Companies and an independent Director of Huadian Power International Corporation Limited (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange).

6. Mr. Cai Hongping ceases to concurrently serve as an independent Director of COSCO SHIPPING Development Co., Ltd. (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange).

7. Mr. Cao Jian concurrently serves as a Member of the Professional Committee under the Board of Supervisors of China Association for Public Companies.

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

Name	Name of company	Major title	Term of office
Miao Jianmin	China Merchants Group Ltd.	Chairman	From July 2020 up to now
Hu Jianhua	China Merchants Group Ltd.	Former Director	From August 2018 to April 2023
		Former General Manager	From December 2019 to April 2023
Sun Yunfei	China COSCO Shipping Corporation Limited	Deputy General Manager and Chief Accountant	From August 2018 up to now
Zhou Song	China Merchants Group Ltd.	Chief Accountant	From October 2018 up to now
Hong Xiaoyuan	China Merchants Group Ltd.	Former Assistant General Manager	From September 2011 to April 2023
	China Merchants Financial Holdings Co., Ltd.	Former General Manager	From September 2022 to April 2023
Zhang Jian	China Merchants Group Ltd.	Chief Digital Officer and Director of Digital Centre	From January 2019 up to now
	China Merchants Financial Holdings Co., Ltd.	Deputy General Manager	From September 2022 up to now
Chen Dong	China COSCO Shipping Corporation Limited	General Manager of Financial Management Headquarters	From September 2016 up to now
Luo Sheng	Dajia Insurance Group Co., Ltd.	Deputy General Manager	From September 2020 up to now
Peng Bihong	China Communications Construction Group Ltd.	Chief Accountant	From September 2019 up to now
Wu Heng	SAIC Motor Corporation Limited	General Manager of Finance Affairs Department	From August 2019 up to now

5.3.4 Securities transactions of Directors, Supervisors and relevant employees

The Company has adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for Directors and Supervisors of the Company in respect of their dealings in the Company's securities. Having made specific enquiries, so far as the Company is aware of, all the Directors and Supervisors of the Company have complied with the aforesaid Model Code during the reporting period.

The Company has also set guidelines on the trading of the Company's securities by relevant employees, and the contents of the guidelines are no less exacting than the Model Code.

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

As at 30 June 2023, the interests and short positions of the Directors, Supervisors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in the SFO), which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests and short positions which the Directors, Supervisors and Chief Executives of the Company were taken or deemed to have under such provisions of the SFO, or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Wang Liang	Executive Director President and Chief Executive Officer	A Share	Long position	Beneficial owner	300,000	0.00145	0.00119
Zhou Song	Non-Executive Director	A Share	Long position	Interest of spouse	23,282	0.00011	0.00009
Cai Jin	Employee Supervisor	A Share	Long position	Beneficial owner	128,600	0.00062	0.00051
		H Share	Long position	Beneficial owner	4,550	0.00010	0.00002
Cao Jian	Employee Supervisor	A Share	Long position	Beneficial owner	127,000	0.00062	0.00050
Yang Sheng	Employee Supervisor	A Share	Long position	Beneficial owner	157,700	0.00076	0.00063
		A Share	Long position	Interest of spouse	122,200	0.00059	0.00048

5.4 Profit Appropriation

The profit appropriation plan for the year 2022

The Company's profit appropriation plan for the year 2022 was considered and approved at the 2022 Annual General Meeting held by the Company on 27 June 2023.

Ten percent of the audited net profit of the Company for 2022 of RMB128.484 billion, equivalent to RMB12.848 billion, was allocated by the Company to the statutory surplus reserve, while 1.5% of the increased balance of the end-of-period assets with the Company bearing risks and losses, equivalent to RMB15.025 billion, was appropriated to the general reserve. As at the end of 2022, 2.5% of the Company's mutual fund custody fee income, equivalent to RMB264 million, was appropriated to the risk reserve for the mutual fund custody business. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, a cash dividend of RMB1.738 (tax included) for every share shall be appropriated to all shareholders of the Company whose names appear on the register, denominated and declared in Renminbi, payable in Renminbi for holders of A Shares and in Hong Kong Dollars for holders of H Shares. The retained profits will be carried forward to the next year. In 2022, the Company did not transfer any capital reserve into share capital.

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

Interim profit appropriation for 2023

The Company will not implement the profit appropriation, nor will it transfer any capital reserve into share capital for the first half of 2023 (for January-June 2022: nil).

5.5 Information on Employees

As of 30 June 2023, the Group had a total of 111,819 employees[22] (including dispatched employees).

The classification of the Group's employees by gender is: 48,163 males and 63,656 females, with a relatively balanced gender ratio.

The classification of the Group's employees by profession is: 18,815 employees in corporate finance, 50,531 employees in retail finance, 6,382 employees in risk management, 16,382 employees in operation and management, 10,997 employees in research and development, 1,056 employees in administrative and logistics support and 7,656 employees in comprehensive management.

The classification of the Group's employees by educational background is: 26,339 employees with master's degrees and above, 71,960 employees with bachelor's degrees and 13,520 employees with junior college degrees or below.

The distribution of the Group's employees by regions is: 27,795 employees in the Yangtze River Delta, 13,840 employees in the Bohai Rim, 34,975 employees in the Pearl River Delta and the Western Taiwan Straits Economic Zone, 5,110 employees in the Northeast, 11,639 employees in the Central, 15,317 employees in the West and 3,143 employees outside the Chinese mainland.

The classification of the Group's employees in research and development by educational background is: 5,013 employees with master's degrees or above, 5,842 employees with bachelor's degrees and 142 employees with junior college degrees or below. The age structure is as follows: 5,930 employees aged 30 and below, 4,177 employees aged 30-40 (excluding 30, but including 40), 754 employees aged 40-50 (excluding 40, but including 50) and 136 employees aged 50-60 (excluding 50, but including 60).

Staff remuneration policy

The Company's remuneration policy is in line with its cultural concepts, operation targets and corporate values. It aims to "improve its market-based remuneration incentive and restrictive mechanisms, serve its strategic and business development and fully mobilise the enthusiasm of its teams". The remuneration policy adheres to the remuneration management principles featuring "value guidance, performance base, Six Can-do mechanism and risk control" and reflects the remuneration concept of "can be high and can be low, higher remuneration for heavier workload". At the same time, in order to mitigate various operating and management risks, the Company has established a mechanism related to remuneration deferred payment and performance-based remuneration recovery and deduction in accordance with regulatory requirements and operational management needs.

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

5.6 Head Office and Branches and Representative Offices

Region	Name of branch	Business address	No. of branches	Asset scale (in millions of RMB)
Head Office	Head Office	7088 Shennan Boulevard, Futian District, Shenzhen	1	3,151,956
	Credit Card Centre	686 Lai'an Road, Pudong New District, Shanghai	1	866,559
	Global Markets Centre	Floor 6, Building 2, No. 1088, Lujiazui Ring Road, Pudong New District, Shanghai	1	864,703
Yangtze River Delta	Shanghai Branch	1088 Lujiazui Ring Road, Pudong New District, Shanghai	104	434,320
	Shanghai Pilot Free Trade Zone Branch	56 Bohang Road, China (Shanghai) Pilot Free Trade Zone	1	11,898
	Nanjing Branch	199 Lushan Road, Jianye District, Nanjing	85	277,964
	Hangzhou Branch	300 Fuchun Road, Shangcheng District, Hangzhou	74	272,268
	Ningbo Branch	342 Min' an East Road, Ningbo	34	105,565
	Suzhou Branch	36 Wansheng Street, Industrial Park, Suzhou	34	153,509
	Wuxi Branch	6-107, 6-108 1st Financial Street, Binhu District, Wuxi	21	69,708
	Wenzhou Branch	Block 2, 4, 5, Hongshengjin Garden, Wuqiao Avenue, Lucheng District, Wenzhou	15	38,731
	Nantong Branch	111 Gongnong Road, Nantong	17	39,378
Bohai Rim	Beijing Branch	156 Fuxingmen Nei Dajie, Xicheng District, Beijing	128	489,167
	Qingdao Branch	65 Hai'er Road, Laoshan District, Qingdao	56	73,830
	Tianjin Branch	255 Guangdong Road and 9 Qianjin Road, Hexi District, Tianjin	44	106,551
	Jinan Branch	7000 Jingshi Road, High-tech Zone, Jinan	63	131,052
	Yantai Branch	117 Changjiang Road, Economic & Technological Development Area, Yantai	17	31,054
	Shijiazhuang Branch	172 Zhonghua South Street, Shijiazhuang	19	34,865
	Tangshan Branch	45 Beixinxi Road, Lubei District, Tangshan	11	11,238
Pearl River Delta and the Western Taiwan Straits Economic Zone	Guangzhou Branch	5 Huasui Road, Tianhe District, Guangzhou	73	258,672
	Shenzhen Branch	2016 Shennan Boulevard, Futian District, Shenzhen	123	534,294
	Fuzhou Branch	316 Jiangbinzhong Boulevard, Fuzhou	41	82,782
	Xiamen Branch	18 Lingshiguan Road, Siming District, Xiamen	31	76,707
	Quanzhou Branch	180 Jiangbin North Road, Fengze Street, Quanzhou	17	30,080
	Dongguan Branch	200 Hongfu Road, Nancheng District, Dongguan	29	73,391
	Foshan Branch	12 Denghu Road East, Guicheng Street, Nanhai District, Foshan	36	78,421
Northeast	Shenyang Branch	12 Shiyiwei Road, Heping District, Shenyang	51	50,768
	Dalian Branch	17 Renmin Road, Zhongshan District, Dalian	36	51,276
	Harbin Branch	3 Zhongyang Avenue, Daoli District, Harbin	39	50,838
	Changchun Branch	9999 Renmin Avenue, Nanguan District, Changchun	24	27,785
Central	Wuhan Branch	188 Yunxia Road, Jianghan District, Wuhan	98	208,802
	Nanchang Branch	1111 Huizhan Road, Honggutan New District, Nanchang	52	106,983
	Changsha Branch	39 Chazishan East Road, Yuelu District, Changsha	49	84,505
	Hefei Branch	169 Funan Road, Hefei	40	91,883
	Zhengzhou Branch	96 Nongye Road East, Zhengzhou	52	98,278
	Taiyuan Branch	265 Nan Zhong Huan Road, Xiaodian District, Taiyuan	23	39,471
	Haikou Branch	Building C, Haian Yihao, 1 Shimao Road North, Haikou	10	29,305

Region	Name of branch	Business address	No. of branches	Asset scale (in millions of RMB)
West	Chengdu Branch	No. 1, the 3rd section of Renmin Road South, Wuhou District, Chengdu	59	116,097
	Lanzhou Branch	9 Qingyang Road, Chengguan District, Lanzhou	25	43,540
	Xi'an Branch	1 Gaoxin No.2 Road, Xi'an	71	139,832
	Chongqing Branch	88 Xingguang Road, New North District, Chongqing	52	122,096
	Urumchi Branch	2 Huanghe Road, Urumchi	16	33,187
	Kunming Branch	1 Chongren Street, Wuhua District, Kunming	56	76,117
	Hohhot Branch	9 Chilechuan Avenue, Saihan District, Hohhot	24	35,533
	Nanning Branch	No.136-5 Minzu Avenue, Qingxiu District, Nanning	20	39,013
	Guiyang Branch	West 2nd Tower, International Finance Centre, Guanshanhu District, Guiyang	18	30,277
	Yinchuan Branch	138 Beijingzhong Road, Jinfeng District, Yinchuan	15	17,292
	Xining Branch	4 Xinning Road, Chengxi District, Xining	11	11,401
Overseas	Hong Kong Branch	31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong	1	118,707
	USA Representative Office	535 Madison Avenue,18th Floor, New York, U.S.A	1	/
	New York Branch	535 Madison Avenue,18th Floor, New York, U.S.A	1	39,683
	Singapore Branch	1 Raffles Place, Tower2, #32-61, Singapore	1	8,806
	Taipei Representative Office	333, Section 1, Jilong Road, Xinyi District, Taipei	1	/
	Luxembourg Branch	20 Boulevard Royal, L-2449, Luxembourg	1	12,841
	London Branch	18/F, 20 Fenchurch Street, London, UK	1	12,837
	Sydney Branch	L39, GPT, 1 Farrer Place, Sydney, NSW	1	11,027
Total	/	/	**1,925**	**10,006,843**

5.7 Compliance with the Corporate Governance Code

During the reporting period, the Company has complied with the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and adhered to the majority of the recommended best practices thereunder.

Important Events

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

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

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

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

6.3 Explanation on the Integrity of the Company

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

6.4 Significant Connected Transactions[23]

6.4.1 Overview of connected transactions

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

6.4.2 Non-exempt continuing connected transactions

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

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

During the reporting period, the continuing connected transactions between the Company and CMFM Group amounted to RMB579 million.

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

6.5 Material Litigations and Arbitrations

The daily operation of the Company involves various litigations, most of which were filed proactively for the purpose of recovering non-performing loans. As at the end of the reporting period, there were 280 cases (including litigations and arbitrations) pending on final judgement in which the Company was involved as the defendant, with an aggregate principal and interest of RMB3,456 million. The Company believes that the above litigation and arbitration cases would not have a material adverse impact on the financial position or operating results of the Company.

6.6 Material Contracts and Their Performance

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

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

Significant guarantees

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

6.7 Use of Funds by Related Parties

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

6.8 Engagement of Accounting Firms for 2023

Upon the approval at the 2022 Annual General Meeting of the Company, the Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic accounting firm of the Company and its domestic subsidiaries for 2023, and engaged Deloitte Touche Tohmatsu, an overseas related member organisation of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the international accounting firm of the Company and its overseas subsidiaries for 2023. The term of each of the engagements is one year. For details, please refer to the documents and circular of the 2022 Annual General Meeting, and relevant announcements regarding the resolutions of the Company.

6.9 Major Amendments to the Articles of Association

In 2022, to further improve the corporate governance system and reflect its concepts of compliance and prudent operation, sustainable operation and quality development in a full, accurate and comprehensive manner, the Company, according to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other laws and regulations and the latest regulatory requirements of domestic and overseas regulatory authorities, has made all-around review and revision on the Articles of Association of China Merchants Bank Co., Ltd. (the "Articles of Association"). The amended Articles of Association have been approved by the former CBIRC during the reporting period. For details, please refer to the announcements dated 24 April 2023 published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Exchanges and Clearing Limited and the Company.

6.10 Review of Interim Results

Deloitte Touche Tohmatsu, our external auditor, has reviewed the interim financial statements of the Company prepared in accordance with the International Financial Reporting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee under the Board of Directors of the Company has reviewed this report and agreed to submit the same to the Board of Directors for consideration. The Board of Directors of the Company has considered and approved this report on 25 August 2023.

6.11 Publication of Interim Report

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

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

Changes in Shares and Information on Shareholders

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

		31 December 2022		Changes in the No. of shares during the reporting period	30 June 2023	
		No. of shares (share)	Percentage (%)	(share)	No. of shares (share)	Percentage (%)
1.	Shares subject to trading restrictions on sales	–	–	–	–	–
2.	Shares not subject to trading restrictions on sales	25,219,845,601	100.00	–	25,219,845,601	100.00
	(1) Ordinary shares in RMB (A Shares)	20,628,944,429	81.80	–	20,628,944,429	81.80
	(2) Foreign shares listed domestically	–	–	–	–	–
	(3) Foreign shares listed overseas (H Shares)	4,590,901,172	18.20	–	4,590,901,172	18.20
	(4) Others	–	–	–	–	–
3.	Total shares	25,219,845,601	100.00	–	25,219,845,601	100.00

As at the end of the reporting period, the Company had a total of 635,943 shareholders of ordinary shares, including 607,030 holders of A Shares and 28,913 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to trading restrictions on sales.

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

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

Serial No.	Name of shareholders	Type of Shareholders	Shares held at the end of the period (share)	Percentage of the total share capital (%)	Type of shares	Changes in the reporting period (share)	Number of shares held subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
1	HKSCC Nominees Ltd.	Overseas legal person	4,553,907,231	18.06	H Shares not subject to trading restrictions on sales	650,308	–	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to trading restrictions on sales	–	–	–
3	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to trading restrictions on sales	–	–	–
4	Hong Kong Securities Clearing Company Limited	Overseas legal person	1,437,041,397	5.70	A Shares not subject to trading restrictions on sales	-69,749,789	–	–
5	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to trading restrictions on sales	–	–	–
6	China Merchants Financial Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to trading restrictions on sales	–	–	–
7	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,991,537	4.48	A Shares not subject to trading restrictions on sales	–	–	–
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to trading restrictions on sales	–	–	–
9	Dajia Life Insurance Co., Ltd. – Universal products	Domestic legal person	776,574,735	3.08	A Shares not subject to trading restrictions on sales	-28,333,100	–	–
10	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	A Shares not subject to trading restrictions on sales	–	–	–

Notes:

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

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

(3) The above holders of A Shares did not hold the shares of the Company through credit securities accounts, neither were there cases of proxy, trustee nor waiver of voting rights.

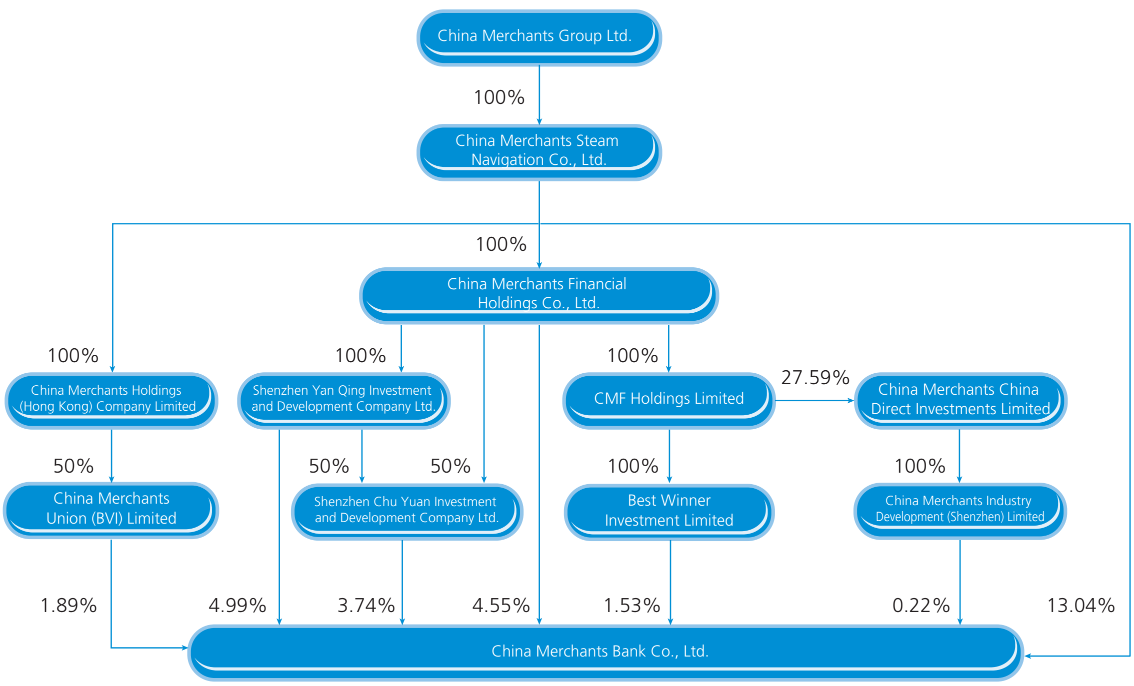
7.3 Information on Substantial Ordinary Shareholders

7.3.1 Information on the Company's largest shareholder

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

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

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



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

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

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

7.3.3 Other substantial shareholders under the regulatory calibre

1. As at the end of the reporting period, Dajia Life Insurance Co., Ltd. held 3.08% shares in the Company, and has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. The controlling shareholder of Dajia Life Insurance Co., Ltd. is Dajia Insurance Group Co., Ltd.. Dajia Insurance Group Co., Ltd. was established on 25 June 2019, with a registered capital of RMB20.36 billion as at the end of the reporting period, and its legal representative is He Xiaofeng. Its controlling shareholder and de facto controller is China Insurance Security Fund Co., Ltd..

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

3. As at the end of the reporting period, SAIC Motor Corporation Limited held 1.23% shares in the Company and has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. SAIC Motor Corporation Limited was established on 16 April 1984, with a registered capital of RMB11.683 billion as at the end of the reporting period, and its legal representative is Chen Hong. Its de facto controller is the State-owned Assets Supervision and Administration Commission of Shanghai.

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

As at 30 June 2023, substantial shareholders had interests and short positions in the shares of the Company under Hong Kong laws and regulations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding) as follows:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Merchants Group Ltd.	A	Long	Interest of controlled corporation	6,697,550,412			
		Long	Others	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Steam Navigation Co., Ltd.	A	Long	Beneficial owner	3,289,470,337			
		Long	Interest of controlled corporation	3,408,080,075			
		Long	Others	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Financial Holdings Co., Ltd. *(former name: China Merchants Finance Investment Holdings Co., Ltd.)*	A	Long	Beneficial owner	1,147,377,415			
		Long	Interest of controlled corporation	2,260,702,660			
		Long	Others	55,196,540			
				3,463,276,615	1	16.79	13.73
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
CMF Holdings Limited	A	Long	Interest of controlled corporation	58,147,140	1	0.28	0.23
	H	Long	Interest of controlled corporation	328,776,923	1	7.16	1.30
Best Winner Investment Limited	A	Long	Beneficial owner	58,147,140	1	0.28	0.23
	H	Long	Beneficial owner	328,776,923	1	7.16	1.30
Shenzhen Yan Qing Investment and Development Company Ltd.	A	Long	Beneficial owner	1,258,542,349			
		Long	Interest of controlled corporation	944,013,171			
				2,202,555,520	1	10.68	8.73

Name of substantial shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Ocean Shipping Company Limited	A	Long	Beneficial owner	1,574,729,111		7.63	6.24
Hexie Health Insurance Co. Ltd.	A	Long	Beneficial owner	1,130,991,537	2	5.48	4.48
Pagoda Tree Investment Company Limited (中國華馨投資有限公司)	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Compass Investment Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
CNIC Corporation Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
Verise Holdings Company Limited	H	Long	Interest of controlled corporation	477,903,500	3	10.41	1.89
China Merchants Union (BVI) Limited	H	Long	Beneficial Owner	477,903,500	3	10.41	1.89
JPMorgan Chase & Co.	H	Long	Interest of controlled corporation	31,200,120			
		Long	Investment manager	139,418,670			
		Long	Person having a security interest in shares	5,671,091			
		Long	Trustee	250			
		Long	Approved lending agent	102,490,779			
				278,780,910	4	6.07	1.11
		Short	Interest of controlled corporation	32,244,487			
		Short	Investment manager	13,400			
				32,257,887	4	0.70	0.13
UBS Group AG	H	Long	Interest of controlled corporation	279,346,348	5	6.08	1.11
BlackRock, Inc.	H	Long	Interest of controlled corporation	298,588,428	6	6.50	1.18
		Short	Interest of controlled corporation	826,500	6	0.02	0.00

Notes:

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

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

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

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

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

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

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

(4) JPMorgan Chase & Co. was deemed to hold a total of 278,780,910 H shares (long position) and 32,257,887 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 102,490,779 H shares. Besides, 16,829,341 H shares (long position) and 10,427,305 H shares (short position) were held through derivatives as follows:

873,000 H shares (long position) and 3,400,000 H shares (short position)	– through physically settled listed derivatives
428,466 H shares (short position)	– through cash settled listed derivatives
553,341 H shares (long position) 4,212,318 H shares (short position)	– through physically settled unlisted derivatives
15,403,000 H shares (long position) and 2,386,521 H shares (short position)	– through cash settled unlisted derivatives

(5) UBS Group AG was deemed to hold a total of 279,346,348 H shares (long position) in the Company by virtue of its control over a number of companies. The equity interests of UBS Group AG in the Company included 27,523,106 H shares (long position) which were held through derivatives as follows:

2,386,339 H shares (long position)	– through physically settled listed derivatives
22,124,504 H shares (long position)	– through cash settled unlisted derivatives
2,944,113 H shares (long position)	– through physically settled unlisted derivatives
68,150 H shares (long position)	– through cash settled listed derivatives

(6) BlackRock,Inc. was deemed to hold a total of 298,588,428 H shares (long position) and 826,500 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests of BlackRock,Inc. in the Company included 1,201,500 H shares (long position) and 826,500 H shares (short position) which were held through derivatives as follows:

1,201,500 H shares (long position) and 826,500 H shares (short position)	– through cash settled unlisted derivatives

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Company) who has any interests or short positions in the shares of the Company as at 30 June 2023 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

7.4 Issuance and Listing of Securities

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

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

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

7.5 Preference Shares

7.5.1 Issuance and listing of preference shares

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

7.5.2 Number of shareholders of preference shares and their shareholdings

As at the end of the reporting period, the Company had a total of 17 holders of preference shares, and all of them were holders of domestic preference shares.

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

No.	Name of shareholders	Type of shareholders	Type of shares	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Changes (share)	Number of shares subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference share	106,000,000	38.55	–	–	–
2	CCB Capital – "Qianyuan – Private (乾元－私享)", an open private banking RMB wealth management product (daily calculated) of China Construction Bank – Anxin Private (安鑫私享) No.2 Special Asset Management Scheme of CCB Capital	Others	Domestic preference share	40,000,000	14.55	–	–	–
3	China National Tobacco (Henan Province) Company	State-owned legal person	Domestic preference share	20,000,000	7.27	–	–	–
	Ping An Property & Casualty Insurance Company of China, Ltd. – traditional – ordinary insurance products	Others	Domestic preference share	20,000,000	7.27	–	–	–
5	BOC Asset – Bank of China – Bank of China Limited, Shenzhen Branch	Others	Domestic preference share	16,000,000	5.82	-9,000,000	–	–
6	China National Tobacco (Anhui Province) Company	State-owned legal person	Domestic preference share	15,000,000	5.45	–	–	–
	China National Tobacco (Sichuan Province) Company	State-owned legal person	Domestic preference share	15,000,000	5.45	–	–	–
8	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) No. 2 Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	9,000,000	3.27	–	–	–
	BOCI Securities – Bank of China – BOCI Securities China Hong – Hui Zhong No. 32 Collective Asset Management Scheme	Others	Domestic preference share	9,000,000	3.27	9,000,000	–	–
10	Everbright Securities Asset Management – China Everbright Bank – Xinyou (鑫優) Collective Asset Management Scheme of Everbright Securities Asset Management	Others	Domestic preference share	7,200,000	2.62	–	–	–

Notes:

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

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

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

7.5.3 Dividend distribution of preference shares

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

7.5.4 Repurchase or conversion of preference shares

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

7.5.5 Restored voting rights of preference shares

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

7.5.6 Accounting policies for preference shares and the reason of adoption

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

Report on Review of Interim Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF

China Merchants Bank Co., Ltd.

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

Introduction

We have reviewed the interim consolidated financial statements of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 97 to 182 which comprise the consolidated statement of financial position as of 30 June 2023 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of these interim consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim consolidated financial statements 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" issued by the International Auditing and Assurance Standards Board. A review of these interim consolidated financial statements 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 consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 August 2023

Unaudited Consolidated Statement of Profit or Loss

For the Six Months ended 30 June 2023

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June	
		2023	2022
Interest income	3	**187,334**	172,861
Interest expense	4	**(78,338)**	(65,169)
Net interest income		**108,996**	107,692
Fee and commission income	5	**51,338**	57,614
Fee and commission expense		**(4,247)**	(4,209)
Net fee and commission income		**47,091**	53,405
Other net income	6	**20,822**	16,524
– Disposal of financial instruments at amortised cost		**950**	158
Operating income		**176,909**	177,621
Operating expenses	7	**(56,372)**	(53,976)
Operating profit before impairment losses and taxation		**120,537**	123,645
Expected credit losses	8	**(31,059)**	(41,477)
Impairment losses on other assets		**(150)**	–
Share of profits of joint ventures		**1,086**	1,034
Share of profits of associates		**470**	422
Profit before taxation		**90,884**	83,624
Income tax	9	**(14,447)**	(13,622)
Profit for the period		**76,437**	70,002
Attributable to:			
Equity holders of the Bank		**75,752**	69,420
Non-controlling interests		**685**	582
Earnings per share			
Basic and diluted (RMB Yuan)	11	**2.93**	2.67

The notes on pages 105 to 182 form part of this interim consolidated financial statements.

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Six Months ended 30 June 2023

(Expressed in millions of Renminbi unless otherwise stated)

	Note	Six months ended 30 June	
		2023	2022
Profit for the period		**76,437**	70,002
Other comprehensive income for the period after tax			
Items that may be reclassified subsequently to profit or loss		**1,540**	1,860
– Net fair value change on debt instruments measured at fair value through other comprehensive income		**1,715**	(3,736)
– Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		**(2,804)**	3,560
– Net movement in cash flow hedge reserve		**(15)**	103
– Share of other comprehensive income/(expense) from equity-accounted investees		**526**	(325)
– Exchange difference on translation of financial statements of foreign operations		**2,163**	2,258
– Other		**(45)**	–
Items that will not be reclassified to profit or loss		**261**	(11)
– Fair value change on equity instruments designated at fair value through other comprehensive income		**258**	(9)
– Remeasurement of defined benefit scheme		**3**	(2)
Other comprehensive income for the period, net of tax	10	**1,801**	1,849
Attributable to:			
Equity holders of the Bank		**1,678**	1,716
Non-controlling interests		**123**	133
Total comprehensive income for the period		**78,238**	71,851
Attributable to:			
Equity holders of the Bank		**77,430**	71,136
Non-controlling interests		**808**	715

The notes on pages 105 to 182 form part of this interim consolidated financial statements.

Unaudited Consolidated Statement of Financial Position

At 30 June 2023

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	30 June 2023	31 December 2022
Assets			
Cash		**12,045**	15,209
Precious metals		**2,213**	2,329
Balances with central banks	12	**578,810**	587,818
Balances with banks and other financial institutions	13	**117,813**	91,346
Placements with banks and other financial institutions	14	**316,000**	264,209
Amounts held under resale agreements	15	**277,862**	276,676
Loans and advances to customers	16	**6,096,979**	5,807,154
Financial investments at fair value through profit or loss	17(a)	**487,716**	423,467
Derivative financial assets	41(f)	**22,675**	18,671
Debt investments at amortised cost	17(b)	**1,651,729**	1,555,457
Debt investments at fair value through other comprehensive income	17(c)	**838,348**	780,349
Equity investments designated at fair value through other comprehensive income	17(d)	**18,124**	13,416
Interests in joint ventures	18	**15,245**	14,247
Interests in associates	19	**11,051**	9,597
Investment properties	20	**1,227**	1,268
Property and equipment	21	**110,177**	99,919
Right-of-use assets	22	**17,034**	17,553
Intangible assets	23	**2,985**	3,402
Goodwill	24	**9,954**	9,999
Deferred tax assets	25	**94,073**	90,848
Other assets		**57,776**	55,978
Total assets		**10,739,836**	10,138,912

The notes on pages 105 to 182 form part of this interim consolidated financial statements.

	Notes	30 June 2023	31 December 2022
Liabilities			
Borrowing from central bank		**158,182**	129,745
Deposits from banks and other financial institutions	26	**559,475**	645,674
Placements from banks and other financial institutions	27	**250,981**	207,027
Financial liabilities at fair value through profit or loss	28	**51,596**	49,144
Derivative financial liabilities	41(f)	**22,496**	18,636
Amounts sold under repurchase agreements	29	**90,677**	107,093
Deposits from customers	30	**8,098,272**	7,590,579
Salaries and welfare payable		**28,532**	23,866
Tax payable		**17,577**	19,458
Contract liabilities		**6,646**	6,679
Lease liabilities		**12,637**	13,013
Provisions	31	**23,815**	22,491
Debt securities issued	32	**265,819**	223,821
Deferred tax liabilities	25	**1,574**	1,510
Other liabilities		**165,644**	125,938
Total liabilities		9,753,923	9,184,674
Equity			
Share capital	33	**25,220**	25,220
Other equity instruments		**120,446**	120,446
– Preference shares	34(a)	**27,468**	27,468
– Perpetual bonds	34(b)	**92,978**	92,978
Capital reserve		**65,435**	65,435
Investment revaluation reserve	35	**11,460**	11,815
Hedging reserve		**136**	151
Surplus reserve		**94,985**	94,985
General reserve		**133,002**	132,471
Retained earnings		**522,383**	449,139
Proposed profit appropriations		**–**	43,832
Exchange reserve		**4,059**	2,009
Total equity attributable to equity holders of the Bank		977,126	945,503
Non-controlling interests		**8,787**	8,735
– Non-controlling interest		**5,889**	5,948
– Perpetual debt capital	43(a)	**2,898**	2,787
Total equity		**985,913**	954,238
Total equity and liabilities		**10,739,836**	10,138,912

The notes on pages 105 to 182 form part of this interim consolidated financial statements.

Approved and authorised for issue by the board of directors on 25 August 2023.

Miao Jianmin
Director

Wang Liang
Director

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

(Expressed in millions of Renminbi unless otherwise stated)

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

The notes on pages 105 to 182 form part of this interim consolidated financial statements.

		Six months ended 30 June 2022														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Note	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriations	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2022		25,220	34,065	92,978	67,523	15,047	39	82,137	115,288	390,207	38,385	(2,144)	858,745	3,300	3,636	865,681
Changes in equity for the period		-	-	-	(1,489)	(533)	103	-	1,021	66,450	(38,385)	2,120	29,287	1,666	(968)	29,985
(a) Net profit for the period		-	-	-	-	-	-	-	-	69,420	-	-	69,420	468	114	70,002
(b) Other comprehensive income for the period		-	-	-	-	(507)	103	-	-	-	-	2,120	1,716	(3)	136	1,849
Total comprehensive income for the period		-	-	-	-	(507)	103	-	-	69,420	-	2,120	71,136	465	250	71,851
(c) Capital contribution or reduction by equity holders		-	-	-	(1,489)	-	-	-	-	-	-	-	(1,489)	1,480	(1,104)	(1,113)
(i) Capital invested by non-controlling shareholders		-	-	-	(1,489)	-	-	-	-	-	-	-	(1,489)	1,489	-	-
(ii) Decrease in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(9)	-	(9)
(iii) Redemption of perpetual debt capital		-	-	-	-	-	-	-	-	-	-	-	-	-	(1,104)	(1,104)
(d) Profit appropriations		-	-	-	-	-	-	-	1,021	(2,996)	(38,385)	-	(40,360)	(279)	(114)	(40,753)
(i) Appropriations to general reserve		-	-	-	-	-	-	-	1,021	(1,021)	-	-	-	-	-	-
(ii) Dividends appropriations for the year 2021		-	-	-	-	-	-	-	-	-	(38,385)	-	(38,385)	(279)	-	(38,664)
(iii) Distribution of perpetual bonds		-	-	-	-	-	-	-	-	(1,975)	-	-	(1,975)	-	-	(1,975)
(iv) Distribution of perpetual debt capital		-	-	-	-	-	-	-	-	-	-	-	-	-	(114)	(114)
(e) Transfers within equity upon disposal of equity instruments designated at FVTOCI		-	-	-	-	(26)	-	-	-	26	-	-	-	-	-	-
At 30 June 2022		25,220	34,065	92,978	66,034	14,514	142	82,137	116,309	456,657	-	(24)	888,032	4,966	2,668	895,666

The notes on pages 105 to 182 form part of this interim consolidated financial statements.

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2023	2022
Operating activities		
Profit before tax	**90,884**	83,624
Adjustments for:		
– Impairment losses on loans and advances	**27,291**	22,795
– Impairment losses on investments and other	**3,918**	18,682
– Unwinding of discount on the allowances of loans and advances	**(156)**	(120)
– Depreciation of property and equipment and investment properties	**5,377**	4,936
– Depreciation of right-of-use assets	**2,093**	2,098
– Amortisation of other assets	**618**	611
– Net gains on debt securities and equity investments	**(10,142)**	(8,556)
– Interest income on investments	**(39,198)**	(31,022)
– Interest expense on issued debt securities	**3,868**	5,645
– Share of profits of associates	**(470)**	(422)
– Share of profits of joint ventures	**(1,086)**	(1,034)
– Net gain on disposal of property and equipment and other assets	**(1)**	(182)
– Interest expense on lease liabilities	**249**	275
Changes in:		
Balances with central banks	**(6,231)**	(16,997)
Loans and advances to customers	**(326,411)**	(376,686)
Other assets	**(1,857)**	29,500
Deposits from customers	**494,490**	690,107
Amounts due to banks and other financial institutions	**(58,621)**	(138,651)
Amounts due from banks and other financial institutions with original maturity over 3 months	**(42,749)**	(34,510)
Borrowing from central bank	**27,934**	(17,543)
Other liabilities	**(56,350)**	(80,176)
Cash generated from operating activities before income tax payment	**113,450**	152,374
Income tax paid	**(19,098)**	(21,750)
Net cash generated from operating activities	**94,352**	130,624
Investing activities		
Payment for the purchases of investments	**(1,056,100)**	(744,802)
Payment for the purchases of property and equipment and other assets	**(15,383)**	(22,139)
Payment for investments in joint ventures and associates	**(7)**	(154)
Proceeds from disposals of investments	**903,810**	471,106
Proceeds from investments income	**49,199**	40,243
Proceeds from disposals of joint ventures and associates	**180**	233
Proceeds from disposals of property and equipment and other assets	**1,394**	4,426
Net cash used in investing activities	**(116,907)**	(251,087)

The notes on pages 105 to 182 form part of this interim consolidated financial statements.

	Note	Six months ended 30 June 2023	2022
Financing activities			
Proceeds from the issuance of debt securities		**14,005**	9,828
Proceeds from the issuance of negotiable interbank certificates of deposit		**51,906**	19,778
Proceeds from the issuance of certificates of deposit and other debt securities		**28,961**	6,223
Proceeds from the non-controlling shareholders of subsidiaries		**–**	2,667
Proceeds from other financing activities		**5,773**	92
Repayment of debt securities		**(2,822)**	(16,278)
Repayment of negotiable interbank certificates of deposit		**(32,691)**	(128,189)
Repayment of certificates of deposit		**(21,155)**	(7,870)
Redemption of non-controlling interest		**–**	(9)
Redemption of perpetual debt capital		**–**	(1,104)
Repayment of lease liabilities		**(2,388)**	(2,420)
Distribution paid on perpetual debt capital		**(88)**	(114)
Distribution paid on ordinary shares		**(285)**	(279)
Interest paid on financing activities		**(4,448)**	(6,247)
Repayments for other financing activities		**–**	(3,478)
Net cash generated from/(used in) financing activities		**36,768**	(127,400)
Net increase/(decrease) in cash and cash equivalents		**14,213**	(247,863)
Cash and cash equivalents as at 1 January		**567,198**	801,754
Effect of foreign exchange rate changes		**3,636**	5,482
Cash and cash equivalents as at 30 June	37(a)	**585,047**	559,373
Cash flows from operating activities include:			
Interest received		**147,364**	140,967
Interest paid		**60,544**	50,365

The notes on pages 105 to 182 form part of this interim consolidated financial statements.

Notes to the Unaudited Interim Consolidated Financial Statements

For the six months ended 30 June 2023

(Expressed in millions of Renminbi unless otherwise stated)

1. General information

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

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

As at 30 June 2023, apart from the Head Office, the Bank had 51 branches in the Chinese mainland, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has two representative offices in New York and Taipei.

The particulars of the Group's major subsidiaries as at 30 June 2023 are set out below.

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

Notes:

(i) In June 2023, the Bank made a capital contribution of EUR 50 million in CMB Europe S.A. The capital of CMB Europe S.A. increased to EUR 100 million after the capital injection and the Bank's total shareholding percentage remained unchanged.

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

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

(a) Basis of preparation and principal accounting policies

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

These unaudited interim consolidated financial statements do not include all of the information required for full set of financial statement prepared in accordance with International Financial Reporting Standards ("IFRSs") and should be read in conjunction with the 2022 annual consolidated financial statements.

Other than the application of the following IFRS and amendments to IFRSs, the Group's accounting policies and methods of computation applied in preparing these unaudited interim consolidated financial statements are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 31 December 2022.

In the current interim period, the Group has applied the following IFRS and amendments to IFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group's unaudited interim consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
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

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

(b) Accounting estimates and judgements

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

The Group's significant accounting estimates and judgements applied in preparing these unaudited interim consolidated financial statements are consistent with those applied in preparing the consolidated financial statements for the year ended 31 December 2022.

3. Interest income

	Six months ended 30 June	
	2023	2022
Loans and advances to customers	**134,592**	131,204
– Corporate loans and advances	**47,346**	42,223
– Retail loans and advances	**82,804**	83,254
– Discounted bills	**4,442**	5,727
Balances with central banks	**4,759**	4,023
Balances with banks and other financial institutions	**1,129**	431
Placements with banks and other financial institutions	**5,449**	3,379
Amounts held under resale agreements	**2,207**	2,802
Financial investments	**39,198**	31,022
– Debt investments at FVTOCI	**12,332**	9,146
– Debt investments at amortised cost	**26,866**	21,876
Total	**187,334**	172,861

Note: For the six months ended 30 June 2023, included in the above is the interest income of RMB5,869 million from loans and advances to customers at fair value through other comprehensive income (six months ended 30 June 2022: RMB6,646 million).

4. Interest expense

	Six months ended 30 June	
	2023	2022
Deposits from customers	**62,455**	49,791
Borrowing from central bank	**1,802**	1,498
Deposits from banks and other financial institutions	**4,401**	5,119
Placements from banks and other financial institutions	**4,353**	1,805
Amounts sold under repurchase agreements	**1,210**	1,036
Debt securities issued	**3,868**	5,645
Lease liabilities	**249**	275
Total	**78,338**	65,169

5. Fee and commission income

	Six months ended 30 June	
	2023	2022
Fees and commissions from wealth management	**16,946**	18,873
Fees and commissions from asset management	**6,015**	6,339
Bank cards fees	**10,051**	10,706
Settlement and clearing fees	**7,801**	7,819
Commissions from credit commitment and lending business	**3,070**	3,515
Commissions from custody business	**2,885**	3,045
Other	**4,570**	7,317
Total	**51,338**	57,614

6. Other net income

	Six months ended 30 June	
	2023	2022
Net gains/(losses) from fair value change	**1,814**	(1,558)
– financial instruments at fair value through profit or loss ("FVTPL")	**1,942**	(1,486)
– derivative instruments	**(38)**	64
– precious metals	**(90)**	(136)
Net investment income	**10,847**	11,002
– financial instruments at FVTPL	**6,947**	6,977
– gain on disposal of financial assets at amortised cost	**950**	158
– gain on disposal of debt instruments at FVTOCI	**2,578**	3,780
– of which: gain on disposal of bills	**705**	2,446
– dividend income from equity investments designated at FVTOCI	**171**	41
– other	**201**	46
Foreign exchange gain	**2,480**	1,718
Other income	**5,361**	4,873
– income on operating leases	**5,283**	4,611
– insurance income	**78**	262
Other	**320**	489
Total	**20,822**	16,524

7. Operating expenses

	Six months ended 30 June	
	2023	2022
Staff costs	**35,968**	34,257
– Salaries and bonuses	**27,409**	26,195
– Social insurance and corporate supplementary insurance	**5,148**	4,913
– Other	**3,411**	3,149
Tax and surcharges	**1,510**	1,569
Property and equipment and investment properties depreciation	**5,377**	4,936
Intangible assets amortisation	**489**	543
Right-of-use assets depreciation	**2,093**	2,098
Short-term rent and low-value asset rent	**104**	117
Charge for insurance claims	**–**	174
Other general and administrative expenses	**10,831**	10,282
Total	**56,372**	53,976

8. Expected credit losses

	Six months ended 30 June	
	2023	2022
Loans and advances to customers	**27,291**	22,795
– Loans and advances at amortised cost	**31,432**	22,878
– Loans and advances at FVTOCI	**(4,141)**	(83)
Amounts due from banks and other financial institutions	**931**	(2,594)
Financial investments	**1,413**	9,704
– Debt investments at amortised cost	**133**	4,950
– Debt investments at FVTOCI	**1,280**	4,754
Expected credit losses relating to financial guarantees and loan commitments	**1,328**	8,250
Other	**96**	3,322
Total	**31,059**	41,477

9. Income tax

(a) Income tax expense in the unaudited consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2023	2022
Current income tax expense	**17,289**	20,278
– Chinese mainland	**16,356**	19,706
– Hong Kong	**849**	426
– Overseas	**84**	146
Deferred taxation	**(2,842)**	(6,656)
Total	**14,447**	13,622

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

	Six months ended 30 June	
	2023	2022
Profit before taxation	**90,884**	83,624
Tax at the PRC statutory income tax rate of 25% (Six months ended 30 June 2022: 25%)	**22,721**	20,906
Tax effects of the following items:		
– Effects of non-deductible expenses	**990**	497
– Effects of non-taxable income	**(9,100)**	(7,920)
– Effects of different applicable rates in other jurisdictions	**(320)**	(166)
– Adjustments in respect of current income tax of previous years	**619**	732
– Tax effect of perpetual bond/perpetual debt capital interest expense	**(513)**	(523)
– Other	**50**	96
Income tax expense	**14,447**	13,622

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

10. Other comprehensive income

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

	Six months ended 30 June					
	2023			2022		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax Amount
Items that may be reclassified subsequently to profit or loss	1,193	347	1,540	1,886	(26)	1,860
– Net fair value change on debt instruments measured at FVTOCI	2,098	(383)	1,715	(4,912)	1,176	(3,736)
– Net changes in expected credit losses of debt instruments measured at FVTOCI	(3,529)	725	(2,804)	4,742	(1,182)	3,560
– Net movement in cash flow hedge reserve	(20)	5	(15)	123	(20)	103
– Share of other comprehensive expenses from equity-accounted investees	526	–	526	(325)	–	(325)
– Exchange difference on translation of financial statements of foreign operations	2,163	–	2,163	2,258	–	2,258
– Other	(45)	–	(45)	–	–	–
Items that will not be reclassified to profit or loss	293	(32)	261	(16)	5	(11)
– Net fair value change on equity instruments designated at FVTOCI	289	(31)	258	(14)	5	(9)
– Remeasurement of defined benefit scheme	4	(1)	3	(2)	–	(2)
Other comprehensive income	1,486	315	1,801	1,870	(21)	1,849

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

	Six months ended 30 June	
	2023	2022
Net fair value change on debt instruments at FVTOCI		
Changes in fair value recognised during the period	3,649	(901)
Reclassification adjustments for amounts transferred to profit or loss upon disposal	(1,934)	(2,835)
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	1,715	(3,736)
Net changes in expected credit losses of debt instruments at FVTOCI		
Changes in expected credit losses recognised during the period	(2,804)	3,560
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	(2,804)	3,560
Net movement in cash flow hedge reserve		
Effective portion of changes in fair value of hedging instruments	(15)	104
Reclassification adjustment for realised gain to profit or loss	–	(1)
Net movement in the hedging reserve during the period recognised in other comprehensive income	(15)	103
Net fair value change on equity instruments designated at FVTOCI		
Changes in fair value recognised during the period	258	(9)
Net movement in investment revaluation reserve during the period recognised in other comprehensive income	258	(9)

11. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2023 and 2022 is based on the net profit attributable to shareholders of the Bank and the weighted average number of shares in issue.

	Six months ended 30 June	
	2023	2022
Net profit attributable to equity holders of the Bank	**75,752**	69,420
Less: Net profit attributable to investors of preference shares	**–**	–
Net profit attributable to investors of perpetual bonds	**(1,975)**	(1,975)
Net profit attributable to ordinary shareholders of the Bank	**73,777**	67,445
Weighted average number of shares in issue (in million shares)	**25,220**	25,220
Basic and diluted earnings per share (in RMB Yuan)	**2.93**	2.67

Note:

The Bank issued non-cumulative preference shares in 2017 and non-cumulative perpetual bonds in 2020 and 2021. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares and interests on non-cumulative perpetual bonds should be deducted from the amounts attributable to equity holders of the Bank. There were no dividends on non-cumulative preference shares during the six months ended 30 June 2023 and 2022, and there were interests on perpetual bonds amounting to RMB1,975 million during the six months ended 30 June 2023 and 2022.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as of 30 June 2023 and 2022. Therefore, the conversion feature of preference shares has no impact on the diluted earnings per share calculation.

12. Balances with central banks

	30 June 2023	31 December 2022
Statutory deposit reserve (note (i))	**538,608**	534,232
Surplus deposit reserve (note (ii))	**35,636**	50,846
Other deposits with central banks (note (iii))	**4,310**	2,455
Interest receivable	**256**	285
Total	**578,810**	587,818

Notes:

(i) Statutory deposit reserve funds are deposited with The People's Bank of China ("PBOC") and other central banks outside the Chinese mainland as required and are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in the Chinese mainland are calculated at 7.25% and 6% of the eligible RMB deposits and foreign currency deposits respectively as at 30 June 2023 (31 December 2022: 7.5% and 6% of the eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organisations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by financial institutions outside the Chinese mainland in the Bank. The reserve of overseas branches of the Group shall be deposited in accordance with the provisions of local regulators.

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

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

13. Balances with banks and other financial institutions

	30 June 2023	31 December 2022
Principal (a)	117,777	91,587
Loss allowances (a)(b)	(379)	(509)
Subtotal	117,398	91,078
Interest receivable	415	268
Total	117,813	91,346

(a) Analysed by nature of counterparties

	30 June 2023	31 December 2022
Balances in the Chinese mainland	77,836	57,809
– Banks	67,434	54,808
– Other financial institutions	10,402	3,001
Balances outside the Chinese mainland	39,941	33,778
– Banks	39,505	33,390
– Other financial institutions	436	388
Total	117,777	91,587
Less: Impairment allowances	(379)	(509)
– Banks	(318)	(490)
– Other financial institutions	(61)	(19)
Net carrying amount	117,398	91,078

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

	2023	2022
Balance as at 1 January	509	378
(Release)/charge for the period/year	(133)	120
Exchange difference	3	11
Balance as at 30 June/31 December	379	509

14. Placements with banks and other financial institutions

	30 June 2023	31 December 2022
Principal (a)	317,241	265,415
Loss allowances (a)(c)	(3,190)	(2,658)
Subtotal	314,051	262,757
Interest receivable	1,949	1,452
Total	316,000	264,209

Note: Pursuant to the relevant provisions in the "Interim Measures for the Administration of Gold Leasing Business" (Yin Ban Fa [2022] No. 88) issued by the General Office of the People's Bank of China in July 2022, with respect to the gold leasing business of the Group with financial institutions since 2023, gold leased out by the Group to other financial institutions is presented under "placements with banks and other financial institutions", a change from "precious metal" in prior years. The comparative figures are re-presented accordingly.

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

(a) Analysed by nature of counterparties

	30 June 2023	31 December 2022
Placements in the Chinese mainland	**227,184**	203,014
– Banks	**29,270**	65,651
– Other financial institutions	**197,914**	137,363
Placements outside the Chinese mainland	**90,057**	62,401
– Banks	**89,255**	61,880
– Other financial institutions	**802**	521
Total	**317,241**	265,415
Less: Impairment allowances	**(3,190)**	(2,658)
– Banks	**(198)**	(163)
– Other financial institutions	**(2,992)**	(2,495)
Net carrying amount	**314,051**	262,757

(b) Analysed by remaining maturity

	30 June 2023	31 December 2022
Maturing		
– Within one month (inclusive)	**114,116**	90,001
– Between one month and one year (inclusive)	**195,965**	158,086
– Over one year	**3,970**	14,670
Total	**314,051**	262,757

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

	2023	2022
Balance as at 1 January	**2,658**	2,860
Charge/(release) for the period/year	**526**	(235)
Exchange difference	**6**	33
Balance as at 30 June/31 December	**3,190**	2,658

15. Amounts held under resale agreements

	30 June 2023	31 December 2022
Principal (a)	**279,413**	277,561
Loss allowances (a)(d)	**(1,632)**	(1,094)
Subtotal	**277,781**	276,467
Interest receivable	**81**	209
Total	**277,862**	276,676

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

(a) Analysed by nature of counterparties

	30 June 2023	31 December 2022
Amounts held under resale agreements in the Chinese mainland	**278,901**	277,382
– Banks	**21,228**	42,077
– Other financial institutions	**257,673**	235,305
Amounts held under resale agreements outside the Chinese mainland	**512**	179
– Banks	**228**	–
– Other financial institutions	**284**	179
Total	**279,413**	277,561
Less: Loss allowances	**(1,632)**	(1,094)
– Banks	**(167)**	(216)
– Other financial institutions	**(1,465)**	(878)
Net carrying amount	**277,781**	276,467

(b) Analysed by remaining maturity

	30 June 2023	31 December 2022
Maturing		
– Within one month (inclusive)	**277,781**	268,890
– Between one month and one year (inclusive)	**–**	7,577
Total	**277,781**	276,467

(c) Analysed by underlying assets

	30 June 2023	31 December 2022
Bonds	**263,612**	256,129
Bills	**14,169**	20,338
Total	**277,781**	276,467

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

	2023	2022
Balance as at 1 January	**1,094**	4,263
Charge/(release) for the period/year	**538**	(3,169)
Balance as at 30 June/31 December	**1,632**	1,094

16. Loans and advances to customers

(a) Loans and advances to customers

	30 June 2023	31 December 2022
Gross amount of loans and advances to customers at amortised cost (i)	**5,757,410**	5,432,112
Interest receivable	**11,332**	11,326
Subtotal	**5,768,742**	5,443,438
Loss allowances of loans and advances to customers at amortised cost (i)	**(269,024)**	(254,913)
Loss allowances of interest receivable	**(929)**	(846)
Subtotal	**(269,953)**	(255,759)
Loans and advances to customers at amortised cost	**5,498,789**	5,187,679
Loans and advances to customers at FVTOCI (ii)	**513,263**	614,481
Loans and advances to customers at FVTPL (iii)	**84,927**	4,994
Total	**6,096,979**	5,807,154

(i) Loans and advances to customers at amortised cost

	30 June 2023	31 December 2022
Corporate loans and advances	**2,427,801**	2,270,323
Retail loans and advances	**3,329,545**	3,161,789
Discounted bills	**64**	–
Gross amount of loans and advances to customers at amortised cost	**5,757,410**	5,432,112
Less: Loss allowances	**(269,024)**	(254,913)
– Stage 1 (12-month ECL)	**(168,387)**	(159,932)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(49,561)**	(44,898)
– Stage 3 (Lifetime ECL-credit-impaired)	**(51,076)**	(50,083)
Net loans and advances to customers at amortised cost	**5,488,386**	5,177,199

(ii) Loans and advances to customers at FVTOCI

	30 June 2023	31 December 2022
Corporate loans and advances	**144,241**	100,430
Discounted bills	**369,022**	514,051
Loans and advances to customers at FVTOCI	**513,263**	614,481
Loss allowances	**(2,423)**	(6,563)
– Stage 1 (12-month ECL)	**(2,386)**	(6,311)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(37)**	(252)
– Stage 3 (Lifetime ECL-credit-impaired)	**–**	–

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

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

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

(iii) Loans and advances to customers at FVTPL

	30 June 2023	31 December 2022
Corporate loans and advances	**4,818**	4,863
Discounted bills	**79,948**	3
Interest receivable	**161**	128
Total	**84,927**	4,994

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector and category:

Operations in the Chinese mainland

	30 June 2023	31 December 2022
Manufacturing	**527,869**	445,218
Transportation, storage and postal services	**478,172**	461,434
Property development	**329,718**	349,682
Production and supply of electric power, heat, gas and water	**231,255**	203,870
Leasing and commercial services	**182,289**	158,320
Wholesale and retail	**175,754**	171,786
Construction	**116,771**	103,998
Finance	**91,872**	75,593
Telecommunications, software and IT services	**87,550**	78,950
Water, environment and public utilities management	**64,413**	64,886
Mining	**39,809**	34,421
Other	**75,952**	67,677
Subtotal of corporate loans and advances	**2,401,424**	2,215,835
Discounted bills	**449,034**	514,054
Residential mortgage	**1,369,279**	1,379,825
Credit cards	**905,768**	884,395
Micro-finance loans	**709,568**	629,857
Other	**281,855**	213,599
Subtotal of retail loans and advances	**3,266,470**	3,107,676
Gross amount of loans and advances to customers	**6,116,928**	5,837,565

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

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

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

Operations outside the Chinese mainland

	30 June 2023	31 December 2022
Finance	**42,545**	36,521
Transportation, storage and postal services	**35,897**	30,814
Property development	**26,046**	26,298
Manufacturing	**22,107**	20,494
Telecommunications, software and IT services	**11,928**	10,908
Production and supply of electric power, heat, gas and water	**10,675**	9,023
Wholesale and retail	**9,317**	8,923
Mining	**5,496**	6,074
Leasing and commercial services	**4,612**	3,430
Construction	**1,027**	1,772
Water, environment and public utilities management	**47**	110
Other	**5,739**	5,414
Subtotal of corporate loans and advances	**175,436**	159,781
Discounted bills	**–**	–
Residential mortgage	**9,283**	9,383
Credit cards	**121**	124
Micro-finance loans	**1,325**	1,181
Other	**52,346**	43,425
Subtotal of retail loans and advances	**63,075**	54,113
Gross amount of loans and advances to customers	**238,511**	213,894

As at 30 June 2023, over 90% of the Group's loans and advances to customers are originated in the Chinese mainland (31 December 2022: over 90%).

(ii) Analysed by type of guarantees:

	30 June 2023	31 December 2022
Credit loans	**2,409,890**	2,219,635
Guaranteed loans	**909,262**	836,550
Collateralised loans	**2,201,579**	2,132,337
Pledged loans	**385,674**	348,883
Subtotal	**5,906,405**	5,537,405
Discounted bills	**449,034**	514,054
Gross amount of loans and advances to customers	**6,355,439**	6,051,459

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

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

(iii) Analysed by overdue term:

	30 June 2023				
	Overdue within 3 months (inclusive)	Overdue from 3 months up to 1 year (inclusive)	Overdue from 1 year up to 3 years (inclusive)	Overdue more than 3 years	Total overdue loans
Credit loans	**17,645**	**12,236**	**3,233**	**1,511**	**34,625**
Guaranteed loans	**7,254**	**8,275**	**5,668**	**664**	**21,861**
Collateralised loans	**4,650**	**5,440**	**4,270**	**1,678**	**16,038**
Pledged loans	**3,137**	**2,274**	**520**	**1,266**	**7,197**
Gross amount of loans and advances to customers	**32,686**	**28,225**	**13,691**	**5,119**	**79,721**

	31 December 2022				
	Overdue within 3 months (inclusive)	Overdue from 3 months up to 1 year (inclusive)	Overdue from 1 year up to 3 years (inclusive)	Overdue more than 3 years	Total overdue loans
Credit loans	22,260	12,382	2,365	880	37,887
Guaranteed loans	6,533	7,537	3,581	762	18,413
Collateralised loans	5,180	6,177	2,913	1,696	15,966
Pledged loans	3,234	573	951	1,261	6,019
Gross amount of loans and advances to customers	37,207	26,669	9,810	4,599	78,285

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

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

	30 June 2023	31 December 2022
Collateralised loans that are overdue but not impaired	**4,088**	4,198
Pledged loans that are overdue but not impaired	**3,132**	1,819
Total	**7,220**	6,017

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

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

(iv) Analysed by ECL:

	30 June 2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	**5,541,765**	**155,004**	**60,641**	**5,757,410**
Less: Loss allowances of loans and advances to customers at amortised cost	**(168,387)**	**(49,561)**	**(51,076)**	**(269,024)**
Net amount of loans and advances to customers at amortised cost	**5,373,378**	**105,443**	**9,565**	**5,488,386**
Loans and advances to customers at FVTOCI	**512,124**	**1,139**	**–**	**513,263**
Loss allowances of loans and advances to customers at FVTOCI	**(2,386)**	**(37)**	**–**	**(2,423)**

	31 December 2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	5,217,868	156,240	58,004	5,432,112
Less: Loss allowances of loans and advances to customers at amortised cost	(159,932)	(44,898)	(50,083)	(254,913)
Net amount of loans and advances to customers at amortised cost	5,057,936	111,342	7,921	5,177,199
Loans and advances to customers at FVTOCI	612,660	1,821	–	614,481
Loss allowances of loans and advances to customers at FVTOCI	(6,311)	(252)	–	(6,563)

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

(c) Movements of allowances for impairment losses

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

	Six months ended 30 June 2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at 1 January 2023	**159,932**	**44,898**	**50,083**	**254,913**
Transfer to				
– Stage 1	**7,077**	**(7,012)**	**(65)**	**–**
– Stage 2	**(4,386)**	**4,836**	**(450)**	**–**
– Stage 3	**(689)**	**(8,938)**	**9,627**	**–**
Charge for the period (note 8)	**6,055**	**15,692**	**9,685**	**31,432**
Write-offs/disposals	**–**	**–**	**(22,389)**	**(22,389)**
Unwinding of discount on allowances	**–**	**–**	**(156)**	**(156)**
Recoveries of loans and advances written off	**–**	**–**	**4,569**	**4,569**
Exchange difference	**398**	**85**	**172**	**655**
Balance as at 30 June 2023	**168,387**	**49,561**	**51,076**	**269,024**

	Year ended 31 December 2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at 1 January 2022	169,347	32,007	43,169	244,523
Transfer to				
– Stage 1	3,039	(2,965)	(74)	–
– Stage 2	(7,699)	7,879	(180)	–
– Stage 3	(3,693)	(4,681)	8,374	–
(Release)/charge for the year	(1,694)	12,653	29,216	40,175
Write-offs/disposals	–	(71)	(39,016)	(39,087)
Unwinding of discount on allowances	–	–	(386)	(386)
Recoveries of loans and advances written off	–	–	8,972	8,972
Exchange difference	632	76	8	716
Balance as at 31 December 2022	159,932	44,898	50,083	254,913

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

	2023	2022
Balance as at 1 January	**6,563**	1,581
(Release)/charge for the period/year	**(4,141)**	4,982
Exchange difference	**1**	–
Balance as at 30 June/31 December	**2,423**	6,563

17. Financial investments

	Notes	30 June 2023	31 December 2022
Financial investments at fair value through profit or loss	17(a)	**487,716**	423,467
Debt investments at amortised cost	17(b)	**1,651,729**	1,555,457
Debt investments at FVTOCI	17(c)	**838,348**	780,349
Equity investments designated at FVTOCI	17(d)	**18,124**	13,416
Total		**2,995,917**	2,772,689

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

	Notes	30 June 2023	31 December 2022
Financial investments measured at FVTPL	(i)	**472,931**	411,591
Financial investments designated at FVTPL	(ii)	**14,785**	11,876
Total		**487,716**	423,467

(i) Financial investments measured at FVTPL:

Financial investments held for trading

	30 June 2023	31 December 2022
Bonds:		
Classified by issuer	**257,609**	182,416
– Government bonds	**123,001**	81,781
– Bonds issued by policy banks	**23,036**	21,871
– Bonds issued by commercial banks and other financial institutions	**38,229**	35,999
– Other debt securities	**73,343**	42,765
Classified by listing	**257,609**	182,416
– Listed in the Chinese mainland	**238,348**	167,998
– Listed outside the Chinese mainland	**17,571**	12,215
– Unlisted	**1,690**	2,203
Other investments:		
Classified by underlying assets	**2,559**	1,971
– Equity investments	**–**	17
– Fund investments	**1,541**	814
– Wealth management products	**912**	1,032
– Long position in precious metal contracts	**106**	108
Classified by listing	**2,559**	1,971
– Listed outside the Chinese mainland	**115**	134
– Unlisted	**2,444**	1,837
Total financial investments held for trading	**260,168**	184,387

17. Financial investments *(continued)*

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

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

Other financial investments measured at FVTPL

	30 June 2023	31 December 2022
Bonds:		
Classified by issuer	**12,900**	20,789
– Bonds issued by commercial banks and other financial institutions	**6,508**	14,039
– Other debt securities	**6,392**	6,750
Classified by listing	**12,900**	20,789
– Listed in the Chinese mainland	**10,109**	18,216
– Listed outside the Chinese mainland	**2,432**	1,872
– Unlisted	**359**	701
Other investments:		
Classified by underlying assets	**199,863**	206,415
– Equity investments	**4,195**	4,362
– Fund investments	**191,887**	199,725
– Wealth management products	**2,910**	1,511
– Other	**871**	817
Classified by listing	**199,863**	206,415
– Listed in the Chinese mainland	**330**	330
– Listed outside the Chinese mainland	**1,143**	653
– Unlisted	**198,390**	205,432
Total other financial investments measured at FVTPL	**212,763**	227,204
Total financial investments measured at FVTPL	**472,931**	411,591

(ii) Financial investments designated at FVTPL:

	30 June 2023	31 December 2022
Bonds:		
Classified by issuer	**14,785**	11,876
– Government bonds	**166**	218
– Bonds issued by policy banks	**4,462**	4,559
– Bonds issued by commercial banks and other financial institutions	**7,264**	6,370
– Other debt securities	**2,893**	729
Classified by listing	**14,785**	11,876
– Listed in the Chinese mainland	**14,601**	11,656
– Listed outside the Chinese mainland	**184**	220

17. Financial investments *(continued)*

(b) Debt investments at amortised cost

	30 June 2023	31 December 2022
Debt investments at amortised cost (i)(ii)	**1,674,735**	1,579,845
Interest receivable	**18,729**	19,294
Subtotal	**1,693,464**	1,599,139
Loss allowances of debt investments at amortised cost (i)(ii)(iii)	**(41,442)**	(43,448)
Loss allowances of interest receivable	**(293)**	(234)
Subtotal	**(41,735)**	(43,682)
Total	**1,651,729**	1,555,457

(i) Debt investments at amortised cost:

	30 June 2023	31 December 2022
Bonds:		
Classified by issuer	**1,559,609**	1,452,499
– Government bonds	**1,074,151**	993,624
– Bonds issued by policy banks	**426,931**	394,126
– Bonds issued by commercial banks and other financial institutions	**50,466**	56,913
– Other debt securities	**8,061**	7,836
Classified by listing	**1,559,609**	1,452,499
– Listed in the Chinese mainland	**1,491,980**	1,395,184
– Listed outside the Chinese mainland	**47,068**	33,319
– Unlisted	**20,561**	23,996
Fair value of listed bonds	**1,584,817**	1,457,373
Other investments:		
Classified by underlying assets	**115,126**	127,346
– Non-standard assets -Loans	**99,049**	108,616
– Non-standard assets -Creditor's beneficiary rights of other financial institutions	**4,950**	5,500
– Non-standard assets -Other	**10,464**	12,582
– Other	**663**	648
Classified by listing	**115,126**	127,346
– Unlisted	**115,126**	127,346
Total	**1,674,735**	1,579,845
Less: Loss allowances	**(41,442)**	(43,448)
Stage 1 (12-month ECL)	**(12,186)**	(10,120)
Stage 2 (Lifetime ECL-not credit-impaired)	**(778)**	(960)
Stage 3 (Lifetime ECL-credit-impaired)	**(28,478)**	(32,368)
Net debt investments at amortised cost	**1,633,293**	1,536,397

17. Financial investments *(continued)*

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

(ii) Analysed by ECL:

	30 June 2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	1,641,637	1,801	31,297	1,674,735
Less: Loss allowances of debt investments at amortised cost	(12,186)	(778)	(28,478)	(41,442)
Net debt investments at amortised cost	1,629,451	1,023	2,819	1,633,293

	31 December 2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	1,543,652	2,073	34,120	1,579,845
Less: Loss allowances of debt investments at amortised cost	(10,120)	(960)	(32,368)	(43,448)
Net debt investments at amortised cost	1,533,532	1,113	1,752	1,536,397

(iii) Movements of allowances for expected credit loss:

	Six months ended 30 June 2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at 1 January 2023	10,120	960	32,368	43,448
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(26)	26	–	–
– Stage 3	–	(259)	259	–
Charge/(release) for the period (note 8)	2,084	49	(2,000)	133
Write-offs/disposals	–	–	(2,208)	(2,208)
Recoveries of debt previously written off	–	–	46	46
Exchange difference	8	2	13	23
Balance as at 30 June 2023	12,186	778	28,478	41,442

17. Financial investments *(continued)*

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

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

	Year ended 31 December 2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at 1 January 2022	14,974	712	24,021	39,707
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(27)	27	–	–
– Stage 3	(153)	(298)	451	–
(Release)/charge for the year	(4,674)	518	8,390	4,234
Write-offs/disposals	–	–	(531)	(531)
Recoveries of debt previously written off	–	–	28	28
Exchange difference	–	1	9	10
Balance as at 31 December 2022	10,120	960	32,368	43,448

(c) Debt investments at FVTOCI

	30 June 2023	31 December 2022
Debt investments at FVTOCI (i)	**828,485**	771,271
Interest receivable	**9,863**	9,078
Total	**838,348**	780,349
Loss allowances of debt investments at FVTOCI (ii)	**(7,271)**	(6,540)
Loss allowances of interest receivable	**(77)**	(80)
Total	**(7,348)**	(6,620)

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

17. Financial investments *(continued)*

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

(i) Debt investments at FVTOCI:

	30 June 2023	31 December 2022
Bonds:		
Classified by issuer	**828,485**	771,271
– Government bonds	**528,284**	524,651
– Bonds issued by policy banks	**57,027**	74,072
– Bonds issued by commercial banks and other financial institutions	**176,560**	119,602
– Other debt securities	**66,614**	52,946
Classified by listing	**828,485**	771,271
– Listed in the Chinese mainland	**619,509**	611,110
– Listed outside the Chinese mainland	**116,062**	90,148
– Unlisted	**92,914**	70,013

(ii) Movements of allowances for expected credit loss

	2023	2022
Balance as at 1 January	**6,540**	6,622
Charge/(release) for the period/year	**1,280**	(355)
Write-offs for the period/year	**(662)**	–
Exchange difference	**113**	273
Balance as at 30 June/31 December	**7,271**	6,540

(d) Equity investments designated at FVTOCI

	30 June 2023	31 December 2022
Repossessed equity instruments	**3,131**	3,266
Other	**14,993**	10,150
Total	**18,124**	13,416
Classified by listing		
– Listed in the Chinese mainland	**1,189**	1,412
– Listed outside the Chinese mainland	**7,681**	2,744
– Unlisted	**9,254**	9,260
Total	**18,124**	13,416

During the six months ended 30 June 2023, the fair value of equity investments designated at FVTOCI at the date of derecognition was RMB218 million (year ended 31 December 2022: RMB2,879 million), the cumulative loss on disposal of RMB2 million previously recognised in investment revaluation reserve was then transferred to retained earnings (year ended 31 December 2022: the cumulative profit of RMB20 million).

18. Interests in joint ventures

	30 June 2023	31 December 2022
Share of net assets	**15,245**	14,247
Share of profits for the period/year	**1,086**	1,710
Share of other comprehensive income/(expense) for the period/year	**338**	(997)

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

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

Notes:

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

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries, and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"). Former China Banking and Insurance Regulatory Commission (the "former CBIRC") approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each held 50.00% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Bank and CUNC made a capital contribution of RMB600 million in MUCFC respectively. After the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage becoming 15%, CMB WLB's shareholding percentage becoming 35%, and the Group's total shareholding percentage remained at 50%. In December 2018, the Bank made another capital contribution of RMB1,000 million in MUCFC, and CUNC made the same amount of capital injection. After the capital injection, the capital of MUCFC increased to RMB3,869 million, the Bank held 24.15% and CMB WLB held 25.85% of equity interest of MUCFC, respectively, and the Group's total shareholding percentage remained at 50%.

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

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

19. Interests in associates

	30 June 2023	31 December 2022
Share of net assets	**11,051**	9,597
Share of profits for the period/year	**470**	815
Share of other comprehensive income/(expense) for the period/year	**188**	(158)

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

Name of associates	Legal form	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
Bank of Taizhou Co., Ltd.	Joint stock limited company	Taizhou	RMB 1,800	24.8559%	24.8559%	Commercial Bank

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

20. Investment properties

	2023	2022
Cost:		
At 1 January	**3,301**	3,135
Transfers (out)/in for the period/year	**(161)**	13
Disposals/write-offs	**(77)**	–
Exchange difference	**70**	153
At 30 June/31 December	**3,133**	3,301
Accumulated depreciation:		
At 1 January	**2,033**	1,763
Depreciation for the period/year	**79**	132
Transfers (out)/in for the period/year	**(203)**	33
Disposals/write-offs	**(56)**	–
Exchange difference	**53**	105
At 30 June/31 December	**1,906**	2,033
Net carrying amount:		
At 30 June/31 December	**1,227**	1,268
At 1 January	**1,268**	1,372

(a) As at 30 June 2023, no impairment allowance was considered necessary for investment properties by the Group (31 December 2022: Nil).

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

	30 June 2023	31 December 2022
Within 1 year (inclusive)	**318**	289
1 year to 2 years (inclusive)	**278**	240
2 years to 3 years (inclusive)	**249**	184
3 years to 4 years (inclusive)	**190**	153
4 years to 5 years (inclusive)	**115**	102
Over 5 years	**403**	275
Total	**1,553**	1,243

21. Property and equipment

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2023	30,501	3,787	18,516	11,678	85,741	5,478	155,701
Additions	43	1,189	630	248	12,425	153	14,688
Reclassification and transfers	1,770	(1,875)	31	248	–	(13)	161
Disposals/write-offs	(1)	–	(1,861)	(65)	(2,390)	(369)	(4,686)
Exchange difference	125	–	66	19	3,088	6	3,304
At 30 June 2023	32,438	3,101	17,382	12,128	98,864	5,255	169,168
Accumulated depreciation:							
At 1 January 2023	14,339	–	14,791	8,045	13,111	4,344	54,630
Depreciation for the period	679	–	1,047	457	2,838	277	5,298
Reclassification and transfers	202	–	25	(2)	–	(22)	203
Disposals/write-offs	(1)	–	(1,783)	(38)	(961)	(326)	(3,109)
Exchange difference	92	–	52	16	462	5	627
At 30 June 2023	15,311	–	14,132	8,478	15,450	4,278	57,649
Impairment loss:							
At 1 January 2023	20	–	–	–	1,132	–	1,152
Charge for the period	–	–	–	–	150	–	150
Exchange difference	–	–	–	–	40	–	40
At 30 June 2023	20	–	–	–	1,322	–	1,342
Net book value:							
At 30 June 2023	17,107	3,101	3,250	3,650	82,092	977	110,177
At 1 January 2023	16,142	3,787	3,725	3,633	71,498	1,134	99,919

21. Property and equipment *(continued)*

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2022	28,876	3,502	16,860	10,925	61,327	5,909	127,399
Additions	24	1,910	1,898	649	26,872	357	31,710
Reclassification and transfers	1,490	(1,625)	162	122	–	(162)	(13)
Disposals/write-offs	(150)	–	(517)	(100)	(7,912)	(643)	(9,322)
Exchange difference	261	–	113	82	5,454	17	5,927
At 31 December 2022	**30,501**	**3,787**	**18,516**	**11,678**	**85,741**	**5,478**	**155,701**
Accumulated depreciation:							
At 1 January 2022	12,998	–	12,924	7,028	9,051	4,465	46,466
Depreciation for the year	1,286	–	2,174	1,103	5,027	557	10,147
Reclassification and transfers	(33)	–	113	–	–	(113)	(33)
Disposals/write-offs	(87)	–	(497)	(70)	(1,653)	(578)	(2,885)
Exchange difference	175	–	77	(16)	686	13	935
At 31 December 2022	**14,339**	**–**	**14,791**	**8,045**	**13,111**	**4,344**	**54,630**
Impairment loss:							
At 1 January 2022	20	–	–	–	498	–	518
Charge for the year	–	–	–	–	778	–	778
Disposals/write-offs	–	–	–	–	(194)	–	(194)
Exchange difference	–	–	–	–	50	–	50
At 31 December 2022	**20**	**–**	**–**	**–**	**1,132**	**–**	**1,152**
Net book value:							
At 31 December 2022	**16,142**	**3,787**	**3,725**	**3,633**	**71,498**	**1,134**	**99,919**
At 1 January 2022	15,858	3,502	3,936	3,897	51,778	1,444	80,415

(a) As at 30 June 2023, the Group had no significant unused property and equipment (31 December 2022: None).

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

	30 June 2023	31 December 2022
Within 1 year (inclusive)	**11,687**	11,306
1 year to 2 years (inclusive)	**9,969**	9,601
2 years to 3 years (inclusive)	**8,355**	8,134
3 years to 4 years (inclusive)	**7,293**	7,087
4 years to 5 years (inclusive)	**6,602**	6,151
Over 5 years	**22,189**	19,876
Total	**66,095**	62,155

22. Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2023	6,000	23,926	10	11	29,947
Additions for the period	–	1,667	–	–	1,667
Decreases for the period	–	(1,211)	–	–	(1,211)
Exchange difference	3	22	–	–	25
At 30 June 2023	6,003	24,404	10	11	30,428
Accumulated depreciation:					
At 1 January 2023	1,375	10,953	5	2	12,335
Depreciation for the period (note 7)	86	2,004	1	2	2,093
Decreases for the period	–	(1,121)	–	–	(1,121)
Exchange difference	1	27	–	–	28
At 30 June 2023	1,462	11,863	6	4	13,335
Impairment loss:					
At 1 January 2023	59	–	–	–	59
At 30 June 2023	59	–	–	–	59
Net carrying amount:					
At 30 June 2023	4,482	12,541	4	7	17,034
At 1 January 2023	4,566	12,973	5	9	17,553

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2022	5,985	23,070	7	16	29,078
Additions for the year	–	3,656	4	7	3,667
Decreases for the year	–	(2,848)	(1)	(12)	(2,861)
Exchange difference	15	48	–	–	63
At 31 December 2022	6,000	23,926	10	11	29,947
Accumulated depreciation:					
At 1 January 2022	1,190	9,414	3	9	10,616
Depreciation for the year	181	3,965	3	2	4,151
Decreases for the year	–	(2,458)	(1)	(9)	(2,468)
Exchange difference	4	32	–	–	36
At 31 December 2022	1,375	10,953	5	2	12,335
Impairment loss:					
At 1 January 2022	59	–	–	–	59
At 31 December 2022	59	–	–	–	59
Net carrying amount:					
At 31 December 2022	4,566	12,973	5	9	17,553
At 1 January 2022	4,736	13,656	4	7	18,403

23. Intangible assets

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2023	10,393	1,181	11,574
Additions for the period	70	–	70
Disposals/write-offs	(30)	–	(30)
Exchange difference	7	47	54
At 30 June 2023	10,440	1,228	11,668
Accumulated amortisation:			
At 1 January 2023	7,572	600	8,172
Charge for the period (Note 7)	468	21	489
Disposals/write-offs	(8)	–	(8)
Exchange difference	5	25	30
At 30 June 2023	8,037	646	8,683
Net carrying amount:			
At 30 June 2023	2,403	582	2,985
At 1 January 2023	2,821	581	3,402

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2022	10,045	1,083	11,128
Additions for the year	347	–	347
Disposals/write-offs	(13)	–	(13)
Exchange difference	14	98	112
At 31 December 2022	10,393	1,181	11,574
Accumulated amortisation:			
At 1 January 2022	6,550	512	7,062
Charge for the year	1,021	40	1,061
Disposals/write-offs	(10)	–	(10)
Exchange difference	11	48	59
At 31 December 2022	7,572	600	8,172
Net carrying amount:			
At 31 December 2022	2,821	581	3,402
At 1 January 2022	3,495	571	4,066

24. Goodwill

	As at 31 December 2022	Addition during the period	Decrease during the period	As at 30 June 2023
CMB WLB (note (i))	10,177	–	–	10,177
CMFM (note (ii))	355	–	–	355
CMI (note (iii))	45	–	(45)	–
Zhaoyin Internet (note (iv))	1	–	–	1
Total	10,578	–	(45)	10,533
Less: Impairment allowances – CMB WLB	(579)	–	–	(579)
Net carrying amount	9,999	–	(45)	9,954

Notes:

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

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

(iii) On 30 December 2022, CMB Wing Lung Insurance Company Limited ("CMB WLI"), a subsidiary of CMB WLB at then, issued shares to purchase the business of China Merchants Insurance Company Limited ("CMI"). On the acquisition date, the fair value of CMI 's identifiable net assets was RMB357 million. A sum of RMB45 million, being the excess of acquisition cost of RMB402 million over the fair value of the identifiable net assets, was recognised as goodwill. On 29 June 2023, CMI injected capital into CMB WLI. The Group's shareholding of CMB WLI changed to 45% and lost control of CMB WLI. The Group converted it into an associate and derecognised the goodwill of RMB45 million.

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

25. Deferred tax assets and liabilities

	30 June 2023	31 December 2022
Deferred tax assets	**94,073**	90,848
Deferred tax liabilities	**(1,574)**	(1,510)
Net amount	**92,499**	89,338

(a) Analysed by nature of deferred tax assets and liabilities

The components of deferred tax assets/liabilities are as follows:

	30 June 2023		31 December 2022	
	Deductible/ (taxable) temporary difference	**Deferred tax**	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets				
Loss allowances on loans and advances to customers and other assets at amortised cost	**313,888**	**78,294**	301,706	75,228
Financial assets at FVTOCI	**(4,815)**	**(1,406)**	(3,332)	(1,016)
Financial instruments at FVTPL	**(580)**	**(145)**	730	183
Salaries and welfare payable and other	**71,556**	**17,330**	65,626	16,453
Total	**380,049**	**94,073**	364,730	90,848
Deferred tax liabilities				
Loss allowances on loans and advances to customers and other assets at amortised cost	**372**	**53**	356	50
Financial assets at FVTOCI	**11**	**3**	15	4
Financial instruments at FVTPL	**191**	**47**	215	54
Salaries and welfare payable and other	**(10,592)**	**(1,677)**	(10,235)	(1,618)
Total	**(10,018)**	**(1,574)**	(9,649)	(1,510)

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

(b) Movements of deferred tax are as follows:

	Loss allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable and other	Total
At 1 January 2023	75,278	(1,012)	237	14,835	89,338
Recognised in profit or loss	3,047	(725)	(333)	853	2,842
Recognised in other comprehensive income	–	310	–	4	314
Exchange difference	22	24	(2)	(39)	5
At 30 June 2023	78,347	(1,403)	(98)	15,653	92,499

	Loss allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable and other	Total
At 1 January 2022	71,191	(2,764)	(4)	11,863	80,286
Recognised in profit or loss	4,061	1,160	243	2,993	8,457
Recognised in other comprehensive income	–	578	–	(21)	557
Exchange difference	26	14	(2)	–	38
At 31 December 2022	75,278	(1,012)	237	14,835	89,338

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

26. Deposits from banks and other financial institutions

	30 June 2023	31 December 2022
Principal(a)	558,411	644,618
Interest payable	1,064	1,056
Total	559,475	645,674

(a) Analysed by nature of counterparties

	30 June 2023	31 December 2022
In the Chinese mainland	541,373	633,178
– Banks	56,280	103,250
– Other financial institutions	485,093	529,928
Outside the Chinese mainland	17,038	11,440
– Banks	15,935	10,779
– Other financial institutions	1,103	661
Total	558,411	644,618

27. Placements from banks and other financial institutions

	30 June 2023	31 December 2022
Principal (a)	**250,026**	206,015
Interest payable	**955**	1,012
Total	**250,981**	207,027

Note: Pursuant to the relevant provisions in the "Interim Measures for the Administration of Gold Leasing Business" (Yin Ban Fa [2022] No. 88) issued by the General Office of the People's Bank of China in July 2022, with respect to the gold leasing business of the Group with financial institutions since 2023, gold leased in by the Group from other financial institutions is presented under "placements from banks and other financial institutions", a change from "financial liabilities at fair value through profit or loss" in prior years. The comparative figures are re-presented accordingly.

(a) Analysed by nature of counterparties

	30 June 2023	31 December 2022
In the Chinese mainland	**167,765**	136,235
– Banks	**167,765**	135,636
– Other financial institutions	**–**	599
Outside the Chinese mainland	**82,261**	69,780
– Banks	**82,043**	69,571
– Other financial institutions	**218**	209
Total	**250,026**	206,015

28. Financial liabilities at fair value through profit or loss

	30 June 2023	31 December 2022
Financial liabilities held for trading (a)	**14,467**	18,247
Financial liabilities designated at FVTPL (b)	**37,129**	30,897
Total	**51,596**	49,144

(a) Financial liabilities held for trading

	30 June 2023	31 December 2022
Financial liabilities related to precious metal	**13,962**	17,634
Short position on bonds	**505**	613
Total	**14,467**	18,247

28. Financial liabilities at fair value through profit or loss *(continued)*

(b) Financial liabilities designated at FVTPL

	30 June 2023	31 December 2022
In the Chinese mainland	**27,820**	22,047
– Other	**27,820**	22,047
Outside the Chinese mainland	**9,309**	8,850
– Certificates of deposit issued	**400**	383
– Debt securities issued	**8,116**	7,709
– Other	**793**	758
Total	**37,129**	30,897

As at 30 June 2023 and 31 December 2022, the difference between the fair values of the Group's financial liabilities designated at FVTPL and the contractual amount payable at maturity is not material. The amounts of changes in the fair value that are attributable to changes in credit risk of these liabilities are not significant during the six months ended 30 June 2023 and the year ended 31 December 2022 and as at 30 June 2023 and 31 December 2022.

29. Amounts sold under repurchase agreements

	30 June 2023	31 December 2022
Principal (a) (b)	**90,599**	107,024
Interest payable	**78**	69
Total	**90,677**	107,093

(a) Analysed by nature of counterparties

	30 June 2023	31 December 2022
In the Chinese mainland	**81,250**	103,452
– Banks	**74,176**	103,446
– Other financial institutions	**7,074**	6
Outside the Chinese mainland	**9,349**	3,572
– Banks	**7,962**	2,801
– Other financial institutions	**1,387**	771
Total	**90,599**	107,024

(b) Analysed by underlying assets

	30 June 2023	31 December 2022
Bonds	**90,599**	95,999
– Government bonds	**66,690**	73,335
– Bonds issued by policy banks	**4,653**	15,330
– Bonds issued by commercial banks and other financial institutions	**13,445**	3,476
– Other debt securities	**5,811**	3,858
Discounted bills	**–**	11,025
Total	**90,599**	107,024

30. Deposits from customers

	30 June 2023	31 December 2022
Principal (a)	**8,030,232**	7,535,742
Interest payable	**68,040**	54,837
Total	**8,098,272**	7,590,579

(a) Analysed by category

	30 June 2023	31 December 2022
Corporate customers	**4,715,803**	4,431,553
– Demand deposits	**2,797,577**	2,762,671
– Time deposits	**1,918,226**	1,668,882
Retail customers	**3,314,429**	3,104,189
– Demand deposits	**1,902,835**	1,983,364
– Time deposits	**1,411,594**	1,120,825
Total	**8,030,232**	7,535,742

31. Provisions

	30 June 2023	31 December 2022
Expected credit loss on provisions	**21,541**	20,217
Other	**2,274**	2,274
Total	**23,815**	22,491

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

	30 June 2023	31 December 2022
Expected credit loss provisions	**21,541**	20,217
– Stage 1 (12-month ECL)	**17,570**	12,082
– Stage 2 (Lifetime ECL-not credit-impaired)	**3,505**	7,569
– Stage 3 (Lifetime ECL-credit-impaired)	**466**	566

32. Debt securities issued

	Notes	30 June 2023	31 December 2022
Subordinated bonds issued	(a)	**19,990**	19,994
Debt securities issued	(b)	**135,324**	120,971
Negotiable interbank certificates of deposit issued		**84,503**	65,719
Certificates of deposit and other debt securities issued (note)		**24,117**	15,604
Interest payable		**1,885**	1,533
Total		**265,819**	223,821

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

32. Debt securities issued *(continued)*

(a) Subordinated bonds issued

At the end of the reporting period, subordinated bond issued by the Bank was as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Discount or premium amortisation (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	120 months	15 Nov 2018	4.65	RMB20,000	19,994	(4)	19,990
Total					19,994	(4)	19,990

(b) Debt securities issued

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

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the period (RMB in million)	Ending balance (RMB in million)
Medium term note	36 months	25 Sep 2020	3M LIBOR+0.85	USD400	2,780	–	(1)	127	–	2,906
Medium term note	36 months	25 Sep 2020	0.95	USD300	2,087	–	(1)	92	–	2,178
Fixed rate bond	36 months	6 Nov 2020	3.48	RMB10,000	9,999	–	(1)	–	–	9,998
Fixed rate bond	36 months	11 Mar 2021	3.40	RMB10,000	9,998	–	–	–	–	9,998
Fixed rate bond	36 months	3 Jun 2021	3.18	RMB20,000	19,995	–	3	–	–	19,998
Fixed rate bond	36 months	24 Aug 2021	2.90	RMB10,000	9,998	–	–	–	–	9,998
Medium term note	24 months	1 Sep 2021	SOFR+0.50	USD300	2,087	–	(1)	96	–	2,182
Medium term note	60 months	1 Sep 2021	1.25	USD300	2,089	–	(7)	93	–	2,175
Medium term note	36 months	2 Mar 2022	2.00	USD400	2,798	–	(7)	121	–	2,912
Fixed rate bond	36 months	11 May 2022	2.65	RMB5,000	4,999	–	–	–	–	4,999
Fixed rate bond	36 months	1 Sep 2022	2.40	RMB10,000	9,997	–	1	–	–	9,998
Fixed rate bond	36 months	27 Mar 2023	2.77	RMB5,000	–	5,000	(1)	–	–	4,999
Medium term note	36 months	9 Jun 2023	SOFR+0.65	USD400	–	2,850	–	63	–	2,913
Total					76,827	7,850	(15)	592	–	85,254

LIBOR represents London InterBank Offered Rate. SOFR represents Secured Overnight Financing Rate.

Note: Financial bonds issued by the Bank that were held by CMB WLB amounted to a total of 580 million RMB equivalent as of 30 June 2023 (31 December 2022: 555 million RMB equivalent).

32. Debt securities issued *(continued)*

(b) Debt securities issued *(continued)*

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

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the period (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	60 months	13 Mar 2019	4.00	RMB500	500	–	–	–	–	500
Fixed rate bond	60 months	3 Jul 2019	3.00	USD900	6,265	–	(12)	239	–	6,492
Fixed rate bond	120 months	3 Jul 2019	3.63	USD100	694	–	(4)	29	–	719
Fixed rate bond	120 months	14 Jul 2020	4.25	RMB2,000	1,994	–	–	–	–	1,994
Fixed rate bond	60 months	12 Aug 2020	1.88	USD800	5,571	–	(10)	210	–	5,771
Fixed rate bond	120 months	12 Aug 2020	2.75	USD400	2,771	–	(19)	119	–	2,871
Fixed rate bond	36 months	17 Nov 2020	3.85	RMB4,000	3,997	–	2	–	–	3,999
Fixed rate bond	36 months	28 Jan 2021	3.60	RMB4,000	3,996	–	2	–	–	3,998
Fixed rate bond	60 months	4 Feb 2021	2.00	USD400	2,785	–	(6)	105	–	2,884
Fixed rate bond	120 months	5 Feb 2021	2.88	USD400	2,765	–	(26)	126	–	2,865
Fixed rate bond	36 months	24 Mar 2021	3.58	RMB2,000	1,998	–	1	–	–	1,999
Fixed rate bond	60 months	24 Mar 2021	2.00	USD20	138	–	(1)	6	–	143
Fixed rate bond	36 months	16 Sep 2021	1.25	USD600	4,179	–	(7)	157	–	4,329
Fixed rate bond	60 months	16 Sep 2021	1.75	USD300	2,081	–	(11)	87	–	2,157
Fixed rate bond	36 months	16 Sep 2021	0.50	EUR100	741	–	(1)	47	–	787
Fixed rate bond	24 months	22 Dec 2021	0.50	EUR30	222	–	–	14	–	236
Floating rate bond	12 months	2 Mar 2022	SOFR+0.80	USD115	802	–	–	(10)	(792)	–
Floating rate bond	12 months	6 May 2022	SOFR+0.85	USD45	314	–	–	(3)	(311)	–
Floating rate bond	12 months	6 May 2022	SOFR+1.00	USD75	523	–	–	(5)	(518)	–
Floating rate bond	12 months	13 Jun 2022	SOFR+0.95	USD120	837	–	–	20	(857)	–
Fixed rate bond	12 months	9 Sep 2022	1.95	EUR80	592	–	–	38	–	630
Floating rate bond	6 months	13 Oct 2022	SOFR+0.75	USD50	349	–	–	(5)	(344)	–
Fixed rate bond	12 months	17 Nov 2022	3.21	RMB300	300	–	–	–	–	300
Floating rate bond	12 months	7 Dec 2022	SOFR+0.83	USD45	314	–	–	11	–	325
Floating rate bond	60 months	12 Dec 2022	SOFR+1.40	USD100	698	–	–	24	–	722
Fixed rate bond	12 months	14 Dec 2022	2.90	EUR57	421	–	(1)	28	–	448
Fixed rate bond	24 months	17 Feb 2023	3.50	RMB500	–	500	(2)	–	–	498
Floating rate bond	12 months	28 Feb 2023	SOFR+0.75	USD60	–	416	–	17	–	433
Floating rate bond	6 months	28 Feb 2023	SOFR+0.75	USD145	–	1,006	–	42	–	1,048
Floating rate bond	6 months	2 Mar 2023	SOFR+0.75	USD200	–	1,382	–	63	–	1,445
Floating rate bond	6 months	15 Mar 2023	SOFR+0.75	USD80	–	552	–	26	–	578
Fixed rate bond	6 months	16 May 2023	4.40	HKD750	–	666	–	25	–	691
Floating rate bond	24 months	31 May 2023	SOFR+1.00	USD75	–	533	(1)	9	–	541
Floating rate bond	36 months	13 Jun 2023	SOFR+1.05	USD103	–	737	(2)	7	–	742
Floating rate bond	6 months	27 Jun 2023	SOFR+0.70	USD50	–	361	–	–	–	361
Total					45,847	6,153	(98)	1,426	(2,822)	50,506

Note: Financial bonds issued by CMBFL that were held by the Bank amounted to nil as of 30 June 2023 (31 December 2022: 1,370 million RMB equivalent). Financial bonds issued by CMB International Leasing Management Limited (CMBILM), a wholly-owned subsidiary of CMBFL, that were held by the Bank amounted to a total of 2,401 million RMB equivalent as of 30 June 2023 (31 December 2022: 2,268 million RMB equivalent). Financial bonds issued by CMBILM that were held by CMB WLB amounted to a total of 1,664 million RMB equivalent as of 30 June 2023 (31 December 2022: 1,602 million RMB equivalent). Financial bond issued by CMBILM that was held by CMBIC amounted to a total of 68 million RMB equivalent as of 30 June 2023 (31 December 2022: Nil).

32. Debt securities issued *(continued)*

(b) Debt securities issued *(continued)*

At the end of the reporting period, debt security issued by CMBIC was as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate	Nominal value	Beginning balance	Issue during the period	Discount or premium amortisation	Exchange difference	Ending balance
			(%)	(in million)	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)
Fixed rate bond	36 months	2 Jun 2021	1.38	USD600	4,166	–	(3)	191	4,354
Total					4,166	–	(3)	191	4,354

Note: Financial bond issued by CMBIC that was held by CMB WLB amounted to a total of 77 million RMB equivalent as of 30 June 2023 (31 December 2022: 74 million RMB equivalent).

33. Share capital

By type of shares:

	30 June 2023 No. of shares (in million)	31 December 2022 No. of shares (in million)
Listed shares		
– A-Shares	**20,629**	20,629
– H-Shares	**4,591**	4,591
Total	**25,220**	25,220

All H Shares are ordinary shares and rank pari passu with the A Shares. There is no restriction on these shares.

	Share Capital	
	No. of shares (in million)	Amount
At 31 December 2022 and at 30 June 2023	25,220	25,220

34. Other equity instruments

(a) Preference Shares

	Issuance date	Accounting classification	Dividend rate	Issue price	No. (millions of shares)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Preference Shares (note (i))	22 Dec 2017	Equity instruments	3.62%	RMB 100/Share	275	27,468	Perpetual existence	Note (ii)	None
Total					275	27,468			

The changes of Preference Shares issued were as follows:

	Issuance date	1 January 2023		Increase/decrease		30 June 2023	
		No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)	**No. (millions of shares)**	**Amount (RMB in million)**
Domestic Preference Shares (note (i))	22 Dec 2017	275	27,468	–	–	**275**	**27,468**
Total		275	27,468	–	–	**275**	**27,468**

34. Other equity instruments *(continued)*

(a) Preference Shares *(continued)*

Notes:

(i) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares in the aggregate nominal value of RMB27,500 million on 22 December 2017. Each Domestic Preference Share has a nominal value of RMB100 and 275 million Domestic Preference Shares were issued in total. The dividend rate is initially at 4.81% and subject to reset per agreement subsequently, but not exceeds 16.68%. On 18 December 2022, five years after the issuance of the domestic preference shares, the Bank adjusted the coupon dividend rate per annum to 3.62% in accordance with market rules.

(ii) Domestic Preference Shares have clauses that state certain events would trigger mandatory conversion, those clauses are as follows:

(1) Upon the occurrence of any additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.

(2) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares. A Tier-2 Capital Trigger Event refers the earlier of the following events: 1) the National Administration of Financial Regulation("NAFR") having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the NAFR for review and determination. The Bank shall fulfil the relevant information disclosure requirements of the Securities Law, the CSRC and Hong Kong's relevant laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

Dividends on the Domestic Preference Shares shall be paid in cash. Save for such dividend at the agreed dividend rate, the holders of the above Preference Shares are not entitled to share the remaining profits of the Bank with the ordinary shareholders. Dividend is non-cumulative. The Bank has the right to cancel any dividend on Preference Shares, and such cancellation shall not be deemed as a default. After the cancellation of all or part of the dividend to preference shareholders, the Bank shall not make any ordinary shares distribution, until the Preference Shares dividend is resumed in full. As the dividends on the Domestic Preference Shares are non-cumulative, the Bank will not distribute the dividends that were cancelled in prior years to Preference Shares holders.

The Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the NAFR, the Domestic Preference Shares may be redeemed in whole or in part at the discretion of the Bank, but the Bank does not have the obligation to redeem the Preference Shares. The holders of Preference Shares do not have the right to demand the Bank to redeem the Preference Shares and shall not expect that Preference Shares will be redeemed.

After deducting the issuance expenses from the Preference Shares above, the total net proceeds of RMB27,468 million have been included in additional Tier 1 capital of the Bank.

(b) Perpetual Bonds

	Issuance date	Accounting classification	Interest rate	Issue price	No. (millions of units)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Perpetual Bonds (note (i))	9 Jul 2020	Equity instruments	3.95%	RMB100/ Unit	500	49,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	Equity instruments	3.69%	RMB100/ Unit	430	42,989	Perpetual existence	None	None
Total					930	92,978			

The changes of Perpetual Bonds issued were as follows:

	Issuance date	1 January 2023		Increase/decrease		30 June 2023	
		No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)
Domestic Perpetual Bonds (note (i))	9 Jul 2020	500	49,989	–	–	**500**	**49,989**
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	430	42,989	–	–	**430**	**42,989**
Total		930	92,978	–	–	**930**	**92,978**

34. Other equity instruments *(continued)*

(b) Perpetual Bonds *(continued)*

Notes:

(i) With the approval of the relevant regulatory authorities in China, the Bank issued RMB50,000 million of 2020 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (Series 1) (the "Perpetual Bonds 2020") in the national inter-bank bond market on 9 July 2020. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2020. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2020 will continue to be outstanding so long as the Bank continues to operate.

(ii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB43,000 million of 2021 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2021, together with Perpetual Bonds 2020, Perpetual Bonds") in the national inter-bank bond market on 7 December 2021. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2021. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2021 will continue to be outstanding so long as the Bank continues to operate.

From the fifth anniversary since the issuance of the Perpetual Bonds, the Bank has the right to redeem in whole or in part the Perpetual Bonds on the annual interest payment date (including the interest payment date on the fifth year since the issuance date) subject to the approval of the NAFR and the satisfaction of the redemption preconditions. If, after the issuance, the Perpetual Bonds no longer qualify as additional Tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulation, the Bank has the right to redeem the whole but not part of the Perpetual Bonds. The investors do not have the right to sell back the Perpetual Bonds to the Bank.

The claims in respect of the Perpetual Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Perpetual Bonds and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional Tier-1 capital instruments of the Bank that rank pari passu with the Perpetual Bonds.

The coupon rate will be reset on each benchmark rate reset date (i.e. the date of every five years from the issuance date). The adjusted coupon rate will be determined based on the benchmark interest rate at adjustment date plus the fixed spread as determined at the time of issuance. The Perpetual Bonds do not contain interest rate step-up mechanism or any other redemption incentives. The Bank has the right to cancel, in whole or in part, distributions on the Perpetual Bonds and any such cancellation will not constitute an event of default. The bond interests are non-cumulative, and any cancelled distribution is not carried to the following year. The Bank will fully consider the interests of bondholders when exercising this right. The Bank can use the cancelled bond interest for the current period at its discretion to repay other due debts. Cancellation of any distributions of the Perpetual Bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write off in whole or in part, without the need for the consent of the bond holders, the principal amount of the Perpetual Bonds. A Non-Viability Trigger Event refers to the earlier of the following events: (i) the NAFR having concluded that without a write-off, the Bank would become non-viable; (ii) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write-off will not be restored.

After deducting the issuance expenses, the funds raised by the bonds have been used to supplement additional Tier 1 capital of the Bank in accordance with applicable laws and the approval of the relevant authorities.

(c) Relative information attributed to equity instrument holders

	30 June 2023	31 December 2022
Equity attributed to shareholders of the Bank	**977,126**	945,503
– Equity attributed to ordinary shareholders of the Bank	**856,680**	825,057
– Equity attributed to other equity instrument holders of the Bank	**120,446**	120,446
Including: Net profit	**1,975**	5,237
Total comprehensive income	**1,975**	5,237
Distributions in current period/year	**(1,975)**	(5,237)
Cumulative undistributed dividends	**–**	–
Equity attributed to non-controlling interests	**8,787**	8,735
– Equity attributed to non-controlling holders of ordinary shares	**5,889**	5,948
– Equity attributed to non-controlling holders of perpetual debt capital (note 43(a))	**2,898**	2,787

35. Investment revaluation reserve

	30 June 2023	31 December 2022
Debt instruments measured at FVTOCI: change in investment revaluation reserve	**8,220**	9,319
Fair value change on equity instruments designated at FVTOCI	**2,866**	2,606
Remeasurement of defined benefit liability	**81**	78
Share of other comprehensive income from equity-accounted investees	**293**	(233)
Other	**–**	45
Total	**11,460**	11,815

36. Profit appropriations

(a) Dividends declared/distributed to shareholders

	Six months ended 30 June 2023	Year ended 31 December 2022
Dividends in 2022, approved and declared (RMB1.738 per share)	**43,832**	–
Dividends in 2021, approved and distributed (RMB1.522 per share)	–	38,385

(b) Proposed profit appropriations

	Six months ended 30 June 2023	Year ended 31 December 2022
Statutory surplus reserve	–	12,848
General reserve	**531**	17,183
Dividends		
– cash dividend: nil (2022: RMB1.738 per share)	–	43,832
Total	**531**	73,863

The profit appropriation for the year ended 31 December 2022 was proposed in accordance with the resolution passed at the meeting of the board of directors held on 24 March 2023 and approved by the 2022 annual general meeting held on 27 June 2023.

37. Notes to consolidated statement of cash flows

(a) Analysis of the balances of cash and cash equivalents (including assets with original maturity within 3 months):

	30 June 2023	30 June 2022
Cash and balances with central banks	**47,681**	80,042
Balances with banks and other financial institutions	**99,755**	93,385
Placements with banks and other financial institutions	**109,474**	116,083
Amounts held under resale agreements	**278,573**	211,355
Debt securities investments and discounted bills	**49,564**	58,508
Total	**585,047**	559,373

(b) Significant non-cash transactions

There were no significant non-cash transactions during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

38. Operating segments

The Group's principal activities are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

The Group manages its businesses by divisions, which are organised by both business lines and geography. The reportable segment information is as follows:

(1) Wholesale finance business

The financial services for corporate clients, government agencies and financial institutions include loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business such as placement and repurchase, asset custody business, financial market business, and other services.

(2) Retail finance business

The financial services provided to retail customers include loan and deposit services, bank card services, wealth management services, private banking and other services.

(3) Other business

Other business covers investment properties, subsidiaries except for CMB WLB and CMBFL, associates and joint ventures. None of these segments meet any of the quantitative thresholds so far for segment division.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss by the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and apportion according to the relevant factors.

The accounting policies of the operating segments are the same as the Group's accounting policies. Operating segment income represents income generated from external customers and inter-segment transactions are offset. No customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2023 and 2022. Internal transactions are conducted at fair value.

38. Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	Six months ended 30 June							
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
External net interest income	**11,183**	11,747	**64,945**	69,851	**32,868**	26,094	**108,996**	107,692
Internal net interest income/(expense)	**32,905**	32,194	**1,753**	(6,338)	**(34,658)**	(25,856)	**–**	–
Net interest income/(expense)	**44,088**	43,941	**66,698**	63,513	**(1,790)**	238	**108,996**	107,692
Net fee and commission income	**10,454**	15,283	**30,850**	32,643	**5,787**	5,479	**47,091**	53,405
Other net income	**18,103**	15,058	**1,411**	1,418	**1,308**	48	**20,822**	16,524
Operating income	**72,645**	74,282	**98,959**	97,574	**5,305**	5,765	**176,909**	177,621
Operating expenses								
– Property and equipment and investment properties depreciation	**(3,809)**	(3,379)	**(1,363)**	(1,529)	**(205)**	(28)	**(5,377)**	(4,936)
– Right-of-use assets depreciation	**(791)**	(834)	**(1,090)**	(1,199)	**(212)**	(65)	**(2,093)**	(2,098)
– Other	**(19,755)**	(17,897)	**(26,665)**	(25,654)	**(2,482)**	(3,391)	**(48,902)**	(46,942)
Subtotal	**(24,355)**	(22,110)	**(29,118)**	(28,382)	**(2,899)**	(3,484)	**(56,372)**	(53,976)
Reportable segment profit before expected credit losses	**48,290**	52,172	**69,841**	69,192	**2,406**	2,281	**120,537**	123,645
Expected credit losses and impairment for other assets	**(13,283)**	(18,687)	**(18,061)**	(22,789)	**135**	(1)	**(31,209)**	(41,477)
Share of profit of associates and joint ventures	**–**	–	**–**	–	**1,556**	1,456	**1,556**	1,456
Reportable segment profit before tax	**35,007**	33,485	**51,780**	46,403	**4,097**	3,736	**90,884**	83,624
Capital expenditure (note)	**13,238**	19,491	**1,121**	1,258	**399**	64	**14,758**	20,813

	Wholesale finance business		Retail finance business		Other business		Total	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022	**30 June 2023**	31 December 2022	**30 June 2023**	31 December 2022
Reportable segment assets	**6,058,267**	5,633,640	**3,245,248**	3,081,290	**1,320,363**	1,314,820	**10,623,878**	10,029,750
Of which: Interest in associates and joint ventures	**–**	–	**–**	–	**26,296**	23,844	**26,296**	23,844
Reportable segment liabilities	**5,801,316**	5,495,463	**3,371,460**	3,157,321	**455,242**	446,949	**9,628,018**	9,099,733

Note: Capital expenditure represents the amount incurred for acquiring segment assets which are expected to be used for more than one year.

38. Operating segments *(continued)*

(b) Reconciliations of reportable segments operating income, profit or loss, assets and liabilities and other material items

	Six months ended 30 June	
	2023	2022
Operating income for reportable segments	**176,909**	177,621
Total profit before income tax for reportable segments	**90,884**	83,624

	30 June 2023	31 December 2022
Assets		
Total assets for reportable segments	**10,623,878**	10,029,750
Goodwill	**9,954**	9,999
Intangible assets	**582**	581
Deferred tax assets	**94,073**	90,848
Other unallocated assets	**11,349**	7,734
Consolidated total assets	**10,739,836**	10,138,912
Liabilities		
Total liabilities for reportable segments	**9,628,018**	9,099,733
Tax payable	**17,577**	19,458
Deferred tax liabilities	**1,574**	1,510
Other unallocated liabilities	**106,754**	63,973
Consolidated total liabilities	**9,753,923**	9,184,674

(c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government in the Chinese mainland. The Group also has branches operating in Hong Kong, New York, Singapore, Luxembourg, London and Sydney, subsidiaries operating in Hong Kong, Shenzhen, Shanghai, Beijing and Luxembourg and representative offices in New York and Taipei.

In presenting information based on geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the location of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

– "Headquarter" refers to the Group headquarter, credit card centres and Global Markets Centre;

– "Yangtze River Delta region" refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;

– "Bohai Rim region" refers to branches in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;

– "Pearl River Delta and West Coast" refers to branches in Guangdong province and Fujian province;

– "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;

– "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;

– "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;

– "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative offices in New York and Taipei;

– "Subsidiaries" refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CMB Europe S.A., and CIGNA & CMAM etc.

38. Operating segments *(continued)*

(c) Geographical segments *(continued)*

Geographical information	Total assets		Total liabilities		Non-current assets		Operating income		Profit before tax	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	Six months ended 30 June 2023	Six months ended 30 June 2022	Six months ended 30 June 2023	Six months ended 30 June 2022
Headquarter	4,807,010	4,580,315	4,010,424	3,841,548	53,346	52,166	73,222	72,689	28,675	26,584
Yangtze River Delta region	1,400,327	1,304,806	1,386,899	1,283,400	5,721	5,774	24,072	24,084	15,618	10,095
Bohai Rim region	877,757	827,394	868,844	811,449	4,215	4,354	17,325	18,728	10,885	11,812
Pearl River Delta and West Coast region	1,133,503	1,083,521	1,124,866	1,063,334	4,206	4,232	17,836	19,903	10,413	12,894
Northeast region	180,667	170,632	179,437	166,486	1,453	1,505	3,308	3,355	1,736	1,860
Central region	659,227	636,801	654,411	628,361	3,416	3,602	10,318	11,039	6,361	5,051
Western region	664,385	632,766	659,583	623,631	3,273	3,497	10,555	10,703	6,089	5,911
Overseas	195,958	194,412	202,580	193,651	289	707	2,347	1,433	1,226	810
Subsidiaries	821,002	708,265	666,879	572,814	91,754	80,148	17,926	15,687	9,881	8,607
Total	10,739,836	10,138,912	9,753,923	9,184,674	167,673	155,985	176,909	177,621	90,884	83,624

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, intangible assets, right-of-use assets, goodwill etc.

39. Contingent liabilities and commitments

(a) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card overdraft limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptance represents undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of loan commitments and financial guarantees by category are set out in the following tables. The amounts reflected in the tables for commitments assume that amounts are fully advanced. The amounts reflected in the tables for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	30 June 2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	283,769	5,171	284	289,224
– Financial guarantees	48,471	2,799	3	51,273
– Non-financial guarantees	235,298	2,372	281	237,951
Irrevocable letters of credit	266,585	1,639	–	268,224
Bills of acceptances	484,732	2,332	500	487,564
Irrevocable loan commitments	177,233	1,654	–	178,887
– with an original maturity within 1 year (inclusive)	18,374	–	–	18,374
– with an original maturity over 1 year	158,859	1,654	–	160,513
Credit card unused commitments	1,380,560	6,951	23	1,387,534
Other	83,147	788	–	83,935
Total	2,676,026	18,535	807	2,695,368

39. Contingent liabilities and commitments *(continued)*

(a) Credit commitments *(continued)*

	31 December 2022			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	245,003	9,818	272	255,093
– Financial guarantees	44,805	7,341	3	52,149
– Non-financial guarantees	200,198	2,477	269	202,944
Irrevocable letters of credit	231,849	1,344	–	233,193
Bills of acceptances	427,150	3,733	500	431,383
Irrevocable loan commitments	155,775	1,607	–	157,382
– with an original maturity within 1 year (inclusive)	22,638	4	–	22,642
– with an original maturity over 1 year	133,137	1,603	–	134,740
Credit card unused commitments	1,406,911	9,613	85	1,416,609
Other	81,225	245	–	81,470
Total	2,547,913	26,360	857	2,575,130

As at 30 June 2023, the Group's irrevocable letters of credit includes sight letters of credit of RMB23,224 million (31 December 2022: RMB22,525 million), usance letters of credit of RMB5,271 million (31 December 2022: RMB6,965 million), and other commitments of RMB239,729 million (31 December 2022: RMB203,703 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches and subsidiaries, and onshore and offshore syndicated loans etc.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB5,444,533 million at 30 June 2023 (31 December 2022: RMB5,159,127 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group does not assume any risks on the unused credit limits for these loan commitments. As a result, such balances are not included in the loan commitments and financial guarantees disclosed above.

	30 June 2023	31 December 2022
Credit risk weighted amounts of contingent liabilities and commitments	**681,364**	595,977

The Group calculated the credit risk weighted amount of its contingent liabilities and commitments in accordance with the requirements of the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the former CBIRC. The amount within the scope approved by the former CBIRC in April 2014 is calculated using the Internal Ratings-Based Approach, and the Weighted Approach is used to cover those amounts not eligible for the Internal Ratings-Based Approach.

(b) Capital commitments

Authorised capital commitments were as follows:

	30 June 2023	31 December 2022
Contracted for	**297**	370
Authorised but not contracted for	**197**	189
Total	**494**	559

The lease commitments of the Group as a lessor are detailed in note 39 (e).

39. Contingent liabilities and commitments *(continued)*

(c) Outstanding litigations

At 30 June 2023, the Bank or other group entity was a defendant in some outstanding litigations with total gross claims of RMB4,068 million (31 December 2022: RMB1,910 million). The Group considers that no material losses would be incurred by the Group as a result of these outstanding litigations and therefore no provision has been made in the interim consolidated financial statements.

(d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back bonds underwritten by itself if the bond holders decide to redeem the bonds before maturity. The redemption prices for the bonds at any time before their maturity date are based on the face value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules issued by the Ministry of Finance and the PBOC. The redemption prices may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	30 June 2023	31 December 2022
Redemption obligations	**29,364**	27,401

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

(e) Lease commitments

Operating lease commitments and financial lease commitments where the Group is a lessor at the end of the reporting period are as follows:

	30 June 2023	31 December 2022
Operating lease commitments	**26,844**	30,519
Finance lease commitments	**9,910**	8,025
Total	**36,754**	38,544

40. Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital, and instruct the Group to lend it to the specified targets on their behalf in accordance with specific terms and conditions, and the Group is contracted to disburse the loan, monitor its usage, and seek loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted loans are not assets of the Group and therefore not recognised in the unaudited consolidated statement of financial position. Income received and receivable for providing these services are recognised in the unaudited consolidated statement of profit or loss as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	30 June 2023	31 December 2022
Entrusted loans	**227,823**	231,266
Entrusted funds	**(227,823)**	(231,266)

40. Transactions on behalf of customers *(continued)*

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers by the Bank and CMBWM. The funds obtained from wealth management services are invested in investment products, including government bonds, policy bank bonds, short term corporate debt instruments and trust loans. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns fee and commission which represents the charges on customers in relation to the provision of custody, sales, and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and therefore not recognised in the unaudited consolidated statement of financial position. The funds received from customer for wealth management business that have yet to be invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated wealth management services amounted to RMB2,390,071 million as at 30 June 2023 (31 December 2022: RMB2,552,408 million).

(c) Entrusted management of insurance funds

The entrusted management of insurance funds mainly refers to the business that the Group carries out investment activities on funds entrusted by insurance companies according to the regulatory policies and the investment guidelines from insurance companies, and charges fees for providing such services.

At the end of the reporting period, the balance of entrusted funds was as follows:

	30 June 2023	31 December 2022
Entrusted management of insurance funds	**130,741**	108,868

41. Risk management

(a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group designs its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the board of directors is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee, participates in, coordinates, and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group has also further optimised the foundation related to the implementation of ECL measures during the current period in accordance with the Implementation Rules on Expected Credit Loss Approach of Commercial Banks (Yin Bao Jian Gui [2022] No. 10).

With respect to the credit risk management of wholesale financial business, the Group formulates credit policy guidelines, enhances the standards on credit acceptance and management requirements for corporate, interbank and institutional clients, and implements limits in key risk areas to improve the quality of credit exposure.

With respect to credit risk management of retail financial business, the Group mainly relies on the credit assessment of applicants as the basis for loan approval, which takes into consideration the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loans collection procedures.

41. Risk management *(continued)*

(a) Credit risk *(continued)*

To mitigate risks, the Group requests customers to provide collateral and guarantees when necessary. Certain guidelines have been set for the acceptability of specific types of collateral or risks mitigating measures. Collateral portfolio and legal covenants are reviewed regularly to ensure that they remain sufficient for the given risks and be consistent with market practices.

In respect of asset quality classification, the Group adopts a risk-based asset quality classification methodology. Currently, the Group categorises its loans on a ten-grade loan classification basis to refine internal risk classification management (normal (grades 1-5), special mention (grades 1-2), substandard, doubtful and loss).

The risks involved in contingent liabilities and commitments are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers carry out the same business activities, locate in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic factors. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated a limit management policy to monitor and analyse its loan portfolio.

Analysis of loans and advances by industry and loan portfolio are presented in Note 16.

(i) Internal credit risk rating

The Group classifies credit risk based on probability of default. The internal credit risk rating is based on the forecasted default risk, taking into consideration qualitative and quantitative factors. For customers of wholesale business, such factors include net profit growth rate, sales growth rate, industry, etc. For customers of retail business, such factors include maturity, ageing, collateral ratio, etc.

(ii) Significant increase in credit risk

The Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument and other items at the reporting date with that at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating, as well as internal early warning signal, the result of 5-tier classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special-mention; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has been downgraded to certain level; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group.

For retail and credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special-mention; more than 30 days (inclusive) overdue; the customer or the debt has credit risk early warning signal; or the customer has other significant risk signals identified by the Group.

A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capability to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitment and financial guarantee, the date when the commitment becomes irrevocable is considered as the initial recognition date.

The Group considers that a debt instrument is impaired and classified as stage 3 when the debt instrument is more than 90 days (inclusive) overdue or the 5-tier classification of this debt instrument is substandard, doubtful or loss (these three categories include debt instruments with more than 90 days (inclusive) overdue).

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is the risk exposure on a debt.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

(iv) Incorporation of forward-looking information

The Group divides financial assets into different asset groups based on their different risk characteristics. According to the risk characteristics of the asset group, the Group collects external data released by authoritative institutions and internal risk data without undue cost or effort for modelling. Apart from the common economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index and Broad Money Supply, various other categories of indicators such as industry index, interest and exchange rate, and survey index are also included. Based on statistical analysis and expert judgements, the Group sets up multiple forward-looking scenarios to predict macroeconomic indicators and risk parameters. The Group sets the forecasts issued by external authoritative institutions as the forecasts of economic indicators under the baseline scenario, with reference to the professionals of the Bank and the outputs of the models. For the forecasts of economic indicators under the remaining scenarios, the Group will refer to the actual historical data for analysis and forecast. Taking GDP (year-on-year growth rate) and CPI (month-on-month increase) as an example, the forecasts for the next year adopted by the Group at 30 June 2023 under the baseline scenario are 5.10% (2022: 4.80%) and 1.50% (2022: 2.80%) respectively.

Combined with quantitative measurement and expert judgement, the Group sets the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the other scenarios as supplement. The weight of the baseline scenario of the Group as at 30 June 2023 is the highest. According to the sensitivity test results of the Group, when the weighting of the optimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 30 June 2023 will decrease by approximately 8.5% compared to the current result (at 31 December 2022: will decrease by approximately 3.1%). When the weighting of the pessimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 30 June 2023 will increase by approximately 8.7% compared to the current result (at 31 December 2022: will increase by approximately 5.2%).

The Group periodically forecasts macroeconomic indicators and calculates the ECL based on a weighted 12-month expected credit loss (stage 1) or a weighted lifetime expected credit loss (stage 2 and stage 3).

(v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The models are divided based on shared risk characteristics, and the reference indicators include the 5-tier classification, business type and collateral type.

(vi) Maximum exposure

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements is the carrying amount of the relevant financial instruments as disclosed in the unaudited consolidated statement of financial position and the contract amount of the off-balance sheet items disclosed in Note 39(a). At 30 June 2023, the amount of the Group's maximum credit risk exposure was RMB13,131,905 million (31 December 2022: RMB12,440,947 million).

(vii) Renegotiated loans and advances to customers

The carrying amount of loans and advances that were credit impaired and the terms had been renegotiated was RMB14,130 million as at 30 June 2023 (31 December 2022: RMB12,076 million).

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(viii) Non-performing loans

Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans, and loss loans. As at 30 June 2023, the Group had balance of non-performing loans of RMB60,641 million (31 December 2022: RMB58,004 million).

(ix) Credit quality of financial instruments

The staging analysis for loans and advances to customers and debt investments at amortised cost as at reporting date are disclosed in note 16 and note 17(b) respectively. The staging analysis for credit commitments and the expected credit loss allowances of financial guarantees and loan commitments are disclosed in note 39(a) and 31 respectively. The staging analysis for other financial instruments is as follows:

	30 June 2023							
	Carrying amount				Expected credit loss			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	578,554	–	–	578,554	–	–	–	–
Balances with banks and other financial institutions	117,764	2	11	117,777	(367)	(1)	(11)	(379)
Placements with banks and other financial institutions	317,241	–	–	317,241	(3,190)	–	–	(3,190)
Amounts held under resale agreements	279,273	–	140	279,413	(1,492)	–	(140)	(1,632)
Debt investments at FVTOCI	826,629	1,651	205	828,485	(5,878)	(465)	(928)	(7,271)

	31 December 2022							
	Carrying amount				Expected credit loss			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	587,533	–	–	587,533	–	–	–	–
Balances with banks and other financial institutions	91,574	2	11	91,587	(497)	(1)	(11)	(509)
Placements with banks and other financial institutions	265,415	–	–	265,415	(2,658)	–	–	(2,658)
Amounts held under resale agreements	277,421	–	140	277,561	(954)	–	(140)	(1,094)
Debt investments at FVTOCI	767,905	3,211	155	771,271	(4,472)	(479)	(1,589)	(6,540)

Note: The balances disclosed above do not include interest receivable.

(b) Market risk

Market risk refers to the risk of loss due to changes in observable market factors such as interest rates, exchange rates, commodity prices and stock prices, resulting in changes in the fair value or future cash flows of the Group's financial instruments. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments and positions under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments can be traded without any restriction. The financial instruments under the banking book are assets and liabilities held by the Group for determinable return with relative stable market value or for the purposes of hedging the risks, which include both the Group's on-balance sheet and off-balance sheet exposure.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and decline in market value of financial instruments and positions held by the Group.

(1) Trading book

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control, and reporting, covering interest rate risk, exchange rate risk, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the board of directors, the Group manages the trading book by clearly identifying, accurately measuring, and effectively managing the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieves a reasonable balance of risk and return. The Group constantly improves the risk-adjusted return level to maximise the shareholders' value.

The trading book market risk governance organisation structure defines the responsibilities, division of labour and reporting lines of the board of directors, Risk and Capital Management Committee under the board of directors, senior management, and relevant departments of the Bank, and safeguards the achievement of management objectives. The Market Risk Management Department is responsible for the Group's trading book market risk and undertakes the task of risk policy formulation and management.

According to the business practices and market risk governance organisation structure, the Group establishes the trading book market risk limits management system. A top-level limit is set based on the risk appetite determined by the board of directors and is transmitted from top to bottom level by level. Within the scope of their authorisation, management departments at all levels allocate and set limits according to risk characteristics, product types and trading strategies, etc. The business departments carry out the business according to the authorisation and limits requirements, and the supervisory and administrative departments at all levels continuously monitor and report according to the limits management regulations.

The trading book market risk management adopts the scale index, stop loss index, sensitivity index, value at risk index, stress test index and other risk measurement indices as the limits index, and sets the limit value by comprehensively considering the risk appetite, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The Group uses valuation, sensitivity analysis, value-at-risk analysis, stress test and other measurement methods to identify and quantify risk factors in the interest rate market. The Group applies the market risk measurement model in its daily risk management and takes market risk measurement as the basis for business planning, resource allocation, financial market business operation and risk management.

(2) Banking book

According to the external regulatory requirements and the internal banking book interest rate risk management policy, the Group has built and continuously improved the banking book interest rate risk management system, established the management process of interest rate risk identification, measurement, monitoring, control, and reporting, and covered all on- and off-balance sheet business of the Bank. The Group clearly identifies, accurately measures, and effectively manages the interest rate risk of the banking book under the interest rate risk appetite of the banking book formulated by the board of directors to ensure that the net interest income (NII) and the economic value of shareholders' equity (EVE) increase steadily within the acceptable range of the banking book risk.

The Group's governance and management framework specifies the responsibilities, division of labor and reporting lines of the board of directors, senior management, designated committees, and relevant departments to ensure the effectiveness of interest rate risk management. Interest rate risk of the banking book is managed by the Asset and Liability Management Department of the Head Office. Internal Audit Department of the Head Office is responsible for independent audit.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(2) Banking book (continued)

The preference of the Group in respect of the interest rate risk in the banking book is prudent. The Group establishes a banking book interest rate risk limit management system based on the actual business and the banking book interest rate risk governance structure. The quantitative index of risk appetite set by the board of directors is the highest-level limit, which is transmitted through the limit level from top to bottom and level by level. Within the scope of their authorisation, all levels set limits and continuously monitor and report according to risk tolerance, business operation strategy and risk management objectives. The Group formulates interest rate risk management strategies and regularly tracks and reviews them based on risk measurement and monitoring results and in combination with macroeconomic and interest rate environment. The key measures for risk management of the Group include the adjustment in business volume, duration structure and interest rate structure of on-balance sheet asset and liability business and off-balance sheet derivative to offset risk exposure.

The Group has mainly adopted scenario simulation analysis, re-pricing exposure analysis and duration analysis for the regular measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in net interest income at risk and economic value of equity indicators when there is an extreme fluctuation in interest rates. The Group measures and monitors the interest rate risk of banking book through the asset-liability management system, and the main models and parameter assumptions used in the measurement process are independently verified before being adopted and are regularly reviewed and verified after being adopted. The various indicators of interest rate risk during the reporting period showed that the interest rate risk of banking book of the Bank was generally stable and stay within the set limits.

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.

	30 June 2023					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	590,599	568,324	–	–	–	22,275
Amounts due from banks and other financial institutions	709,230	581,056	120,566	7,596	12	–
Loans and advances to customers (note (i))	6,086,415	1,949,590	3,503,818	568,379	64,628	–
Financial investments and derivative financial assets	2,990,293	331,519	374,780	1,025,105	1,196,647	62,242
Other assets (note (ii))	363,299	–	–	–	–	363,299
Total assets	10,739,836	3,430,489	3,999,164	1,601,080	1,261,287	447,816
Liabilities						
Amounts due to central bank, banks and other financial institutions	1,056,408	868,932	173,760	13,166	550	–
Deposits from customers	8,030,232	5,528,629	1,030,832	1,436,699	30,206	3,866
Financial liabilities at FVTPL and derivative financial liabilities	74,092	221	3,126	5,347	–	65,398
Lease liabilities	12,637	1,247	2,732	7,474	1,184	–
Debt securities issued	263,934	60,757	115,092	60,392	27,693	–
Other liabilities (note (ii))	316,620	212	–	2,818	–	313,590
Total liabilities	9,753,923	6,459,998	1,325,542	1,525,896	59,633	382,854
Asset-liability gap	985,913	(3,029,509)	2,673,622	75,184	1,201,654	64,962

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period. *(continued)*

	31 December 2022					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	602,742	575,932	–	–	–	26,810
Amounts due from banks and other financial institutions	630,302	516,942	99,288	14,059	13	–
Loans and advances to customers (note (i))	5,796,546	2,234,889	3,028,371	473,932	59,354	–
Financial investments and derivative financial assets	2,763,222	217,442	356,451	975,413	1,164,031	49,885
Other assets (note (ii))	346,100	–	–	–	–	346,100
Total assets	10,138,912	3,545,205	3,484,110	1,463,404	1,223,398	422,795
Liabilities						
Amounts due to central bank, banks and other financial institutions	1,087,095	931,481	143,285	10,501	1,828	–
Deposits from customers	7,535,742	5,528,249	860,746	1,111,583	31,365	3,799
Financial liabilities at FVTPL and derivative financial liabilities	67,780	–	3,006	5,231	73	59,470
Lease liabilities	13,013	1,094	3,091	7,650	1,178	–
Debt securities issued	222,288	35,587	69,617	89,565	27,519	–
Other liabilities (note (ii))	258,756	203	–	2,752	–	255,801
Total liabilities	9,184,674	6,496,614	1,079,745	1,227,282	61,963	319,070
Asset-liability gap	954,238	(2,951,409)	2,404,365	236,122	1,161,435	103,725

Notes:

(i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 30 June 2023 and 31 December 2022, net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interests were overdue.

(ii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

(4) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 30 June 2023 and 31 December 2022.

	30 June 2023		31 December 2022	
Change in interest rates (in basis points)	Up by 25	Down by 25	Up by 25	Down by 25
(Decrease)/increase in net interest income	**(4,522)**	**4,522**	(4,412)	4,412
(Decrease)/increase in equity	**(8,330)**	**8,465**	(8,462)	8,586

The above-mentioned interest rate sensitivity analysis shows the changes in net interest income and equity in the next 12 months under the assumption of changes in interest rates in the above table. As the actual situation and assumptions may be different, the actual changes in the Group's net interest income and equity caused by the increase or decrease in interest rates may be different from the results of this sensitivity analysis.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions, which expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly in USD and HKD. The Group segregates the policy setting, execution, and supervision of foreign exchange risk management, and establishes a foreign currency risk management governance structure. This structure specifies the roles, responsibilities, and reporting lines of the board of directors, the board of supervisors, senior management, designated committees, and relevant departments of the Bank in the management of foreign exchange risk. The Group is prudent in its foreign exchange risk appetite, and would not voluntarily take foreign exchange risk, which suits the current development stage of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and suit its management needs.

(1) Trading book

The Group has established a market risk management system of the trading book, which covers exchange rate risk, to quantify the exchange rate risk of the trading book to facilitate centralised management. The structure, process, and method of exchange rate risk management of trading book are consistent with that of the interest rate risk of trading book.

The Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR covering interest rate, foreign exchange rate and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, and cumulative loss index in its management of foreign exchange risk. The management methods include delegation, setting limits, daily monitoring, and continuous reporting, etc.

(2) Banking book

The Group's foreign exchange risk under the banking book is centrally managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The Internal Audit Department is responsible for auditing this. The treasurer is responsible for managing the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and through approaches such as transaction limits and adjustment of plans.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB financial assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control it within an acceptable range.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit control framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk on its banking book.

The Group continues to strengthen banking book exchange rate risk monitoring and authorisation management of limits to ensure that risks are controlled within a reasonable range.

41. Risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet its maturity obligations, or to perform other payment obligations.

According to the liquidity risk management policy, the Group segregates the policy setting, execution, and supervision of liquidity risk management, and puts in place a governance framework which defines the roles, responsibilities, and reporting lines of the board of directors, the board of supervisors, senior management, designated committees, and relevant departments to ensure the effectiveness of the liquidity risk management. The board of directors takes the ultimate responsibility for liquidity risk management, ensures the Group can effectively identify, measure, monitor and control liquidity risk and is responsible for determining liquidity risk level which the Group can tolerate. The Risk and Capital Management Committee under the board of directors shall perform its responsibilities in liquidity risk management according to the requirements of the board of directors. The board of supervisors is responsible for the supervision and evaluation of the performance of the board of directors and senior management in the liquidity risk management and reports to the general meeting of shareholders. The senior management is responsible for the liquidity risk management work and develops a timely understanding of changes in liquidity risks and reports the same to the board of directors. The Asset and Liability Management Committee (ALCO) exercises specific liquidity risk management functions as required by the senior management. The Assets and Liabilities Management Department of the Head Office is a day-to-day working body of ALCO and responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Internal Audit Department of the Head Office conducts comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing its liquidity risk, which suits its current development stage. The Group's existing liquidity risk management policies and systems meet regulatory requirements and suit its own management needs.

The Group's liquidity risk management is coordinated by Head Office with branches acting in concert. The Asset and Liability Management Department acting as the treasurer of the Group is in charge of daily liquidity risk management. According to a prudent basis under regulatory requirements, the treasurer is conducting centralised liquidity management through limits management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as medium and long-term structures. It monitors the limit indicators closely at fixed intervals.

The Group regularly conducts stress testing to assess its liquidity risk resistance under extreme circumstances. Except for the annual stress testing required by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of local and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to continuously improve its capability to handle any liquidity crisis.

41. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities, and loan commitments of the Group as at the end of the reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis.

	30 June 2023									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	590,599	590,599	47,681	–	–	1,978	–	–	540,940	–
Amounts due from banks and other financial institutions	709,230	713,270	88,863	404,392	88,790	121,818	9,395	12	–	–
Loans and advances to customers	6,086,415	7,436,124	34,672	530,111	448,513	1,736,428	2,230,971	2,419,573	–	35,856
Financial investments	2,967,618	3,510,143	3,629	146,781	169,040	436,853	1,260,910	1,467,764	23,201	1,965
– Financial investments at FVTPL	487,716	493,214	3,629	86,592	30,105	147,412	182,168	38,231	5,077	–
– Debt investments at amortised cost	1,633,293	2,040,783	–	25,838	53,209	156,115	639,206	1,164,472	–	1,943
– Debt investments at FVTOCI	828,485	958,022	–	34,351	85,726	133,326	439,536	265,061	–	22
– Equity investments designated at FVTOCI	18,124	18,124	–	–	–	–	–	–	18,124	–
Other assets	89,898	89,898	36,494	15,424	13,433	14,487	1,523	538	3,767	4,232
Total	10,443,760	12,340,034	211,339	1,096,708	719,776	2,311,564	3,502,799	3,887,887	567,908	42,053
Non-derivative financial liabilities and lease liabilities										
Borrowing from central bank and amounts due to banks and other financial institutions	1,056,408	1,068,141	471,544	214,199	160,335	188,836	26,165	7,062	–	–
Deposits from customers	8,030,232	8,317,158	4,806,027	387,730	449,881	1,084,625	1,556,678	32,217	–	–
Financial liabilities at FVTPL	51,596	51,776	7,857	4,551	3,784	2,346	7,444	25,794	–	–
Lease liabilities	12,637	12,972	–	435	999	2,588	7,432	1,518	–	–
Debt securities issued	263,934	276,720	–	8,088	39,996	132,769	67,040	28,827	–	–
Other liabilities	216,677	217,414	104,632	24,228	16,854	41,162	30,295	243	–	–
Total	9,631,484	9,944,181	5,390,060	639,231	671,849	1,452,326	1,695,054	95,661	–	–
Loan commitments	–	1,566,421	1,566,421	–	–	–	–	–	–	–

41. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities, and loan commitments of the Group as at the end of the reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis. (continued)

	31 December 2022									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	602,742	602,742	66,055	–	–	1,201	–	–	535,486	–
Amounts due from banks and other financial institutions	630,302	631,756	62,467	369,164	85,088	99,900	15,124	13	–	–
Loans and advances to customers	5,796,546	7,132,934	26,024	516,746	433,106	1,694,961	2,071,922	2,365,750	–	24,425
Financial investments	2,744,551	3,251,681	4,102	101,509	112,634	415,839	1,184,020	1,413,650	19,139	788
– Financial investments at FVTPL	423,467	439,231	4,102	76,314	38,048	96,166	161,826	57,052	5,723	–
– Debt investments at amortised cost	1,536,397	1,919,576	–	17,387	42,650	166,559	588,262	1,103,949	–	769
– Debt investments at FVTOCI	771,271	879,458	–	7,808	31,936	153,114	433,932	252,649	–	19
– Equity investments designated at FVTOCI	13,416	13,416	–	–	–	–	–	–	13,416	–
Other assets	88,792	88,792	35,078	10,381	15,434	17,310	1,534	605	4,296	4,154
Total	9,862,933	11,707,905	193,726	997,800	646,262	2,229,211	3,272,600	3,780,018	558,921	29,367
Non-derivative financial liabilities and lease liabilities										
Borrowing from central bank and amounts due to banks and other financial institutions	1,087,095	1,098,720	515,448	270,368	127,266	152,122	26,391	7,125	–	–
Deposits from customers	7,535,742	7,794,971	4,847,726	389,687	403,223	894,832	1,223,242	36,261	–	–
Financial liabilities at FVTPL	49,144	49,336	12,085	4,390	227	4,626	7,988	20,020	–	–
Lease liabilities	13,013	14,292	–	505	599	3,328	8,386	1,474	–	–
Debt securities issued	222,288	235,656	–	4,480	28,783	76,447	96,703	29,243	–	–
Other liabilities	162,436	162,436	62,796	27,724	11,623	28,897	31,154	242	–	–
Total	9,069,718	9,355,411	5,438,055	697,154	571,721	1,160,252	1,393,864	94,365	–	–
Loan commitments	–	1,573,991	1,573,991	–	–	–	–	–	–	–

Note: Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

(d) Operational risk

Operational risk arises from the loss due to deficiency in internal procedures, staffing or IT structure, as well as external events which have effect on operation, including legal risk but not strategy risk and reputation risk.

During the reporting period, through stepping up the identification, evaluation and monitoring of operational risk in key areas, and by focusing on process, policy, employee system, and existing problems of critical control segments, the Group further improves the risk management framework and method, appraisal and assessment mechanism, and strengthens economic capital allocation mechanism with the goal of enhancing the ability and effectiveness of operational risk's management of the Group. All major indexes meet the requirements of the Group's risk preference.

In view of the challenges from internal and external operations and management, the Group will, based on its risk appetite, continue to upgrade its risk management capabilities, and strengthen operational risk monitoring and controls, in order to prevent and reduce operational risk losses.

41. Risk management *(continued)*

(e) Capital management

The objectives of the Group's capital management are to:

– Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base in support of its business expansion, social responsibility and strategic planning implementation to achieve a comprehensive, coordinated and sustainable growth;

– Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;

– Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate customer pricing and decision-making, and increase capital deployment efficiency;

– Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns for shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier-1 capital instruments, eligible tier-2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under an approach stipulated by regulators. The Group and the Bank submit required information to the NAFR every quarter.

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all branches of the Bank. As at 30 June 2023, the Group's subsidiaries that were within the capital adequacy ratio calculation included: CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CIGNA & CMAM and CMB Europe S.A.

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the former CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) and other relevant regulations. On 18 April 2014, former CBIRC approved the Bank to adopt the Advanced Measurement Approach. Within the approved scope, the Bank could calculate corporation and financial institutions risk exposure using the Foundation Internal Ratings-Based Approach, retail risk exposure using the Advanced Internal Ratings-Based Approach, market risk using the Internal Model-Based Approach, and operational risk using the Standardised Measurement Approach. At the same time, former CBIRC implemented a transition period for commercial banks that were approved to adopt the Advanced Measurement Approach. During the transition period, commercial banks should use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios and comply with the capital floor requirements.

The Group's capital management focuses on the capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resistance. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of factors such as strategic development planning, business expansion status, and risk movement trends.

41. Risk management *(continued)*

(f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Group's derivatives can be divided into financial instruments that are held for fair value hedge and cash flow hedging purpose and that are at fair value through profit or loss.

The Group formulates appropriate hedging strategies and uses proper tools in light of the risk profile of interest rates or foreign exchange rates associated with its assets and liabilities, as well as its analysis and judgement regarding future movements of interest rates or foreign exchange rates.

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from RMB loans and interbank assets or liabilities.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturities at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period and do not represent the amounts at risk.

	30 June 2023						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	335,238	798,643	629,044	2,034	1,764,959	6,202	(6,156)
Interest rate swaps	335,070	798,573	629,044	2,034	1,764,721	6,202	(6,156)
Bond futures	168	–	–	–	168	–	–
Interest rate options	–	70	–	–	70	–	–
Currency derivatives	509,894	493,964	42,134	1,933	1,047,925	15,614	(15,359)
Forwards	36,970	5,216	439	1,874	44,499	442	(309)
Foreign exchange swaps	351,492	357,422	26,459	59	735,432	12,116	(13,039)
Futures	521	2,766	–	–	3,287	–	–
Options	120,911	128,560	15,236	–	264,707	3,056	(2,011)
Other derivatives	106,398	886	640	36	107,960	621	(546)
Equity options purchased	49,009	165	–	36	49,210	238	–
Equity options written	49,009	167	–	–	49,176	–	(117)
Commodity trading swaps	8,380	554	–	–	8,934	383	(355)
Credit default swaps	–	–	640	–	640	–	(74)
Fair value hedge derivatives							
Currency derivatives	630	2,308	5,821	–	8,759	34	(393)
Foreign exchange swaps	630	2,308	5,821	–	8,759	34	(393)
Cash flow hedge derivatives							
Interest rate derivatives	50	1,200	2,586	685	4,521	159	–
Interest rate swaps	50	1,200	2,586	685	4,521	159	–
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	–	–	531	–	531	45	–
Interest rate swaps	–	–	531	–	531	45	–
Currency derivatives	–	–	604	–	604	–	(42)
Foreign exchange swaps	–	–	604	–	604	–	(42)
Total	952,210	1,297,001	681,360	4,688	2,935,259	22,675	(22,496)

41. Risk management *(continued)*

(f) Use of derivatives *(continued)*

	31 December 2022						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	60,013	734,650	735,046	4,720	1,534,429	6,246	(6,062)
Interest rate swaps	60,013	734,241	735,046	4,720	1,534,020	6,246	(6,062)
Bond futures	–	409	–	–	409	–	–
Currency derivatives	513,568	329,319	27,320	1,198	871,405	11,348	(11,449)
Forwards	21,443	4,812	645	1,198	28,098	487	(328)
Foreign exchange swaps	347,432	226,332	17,724	–	591,488	9,263	(7,304)
Futures	1,043	81	–	–	1,124	–	–
Options	143,650	98,094	8,951	–	250,695	1,598	(3,817)
Other derivatives	91,064	520	640	34	92,258	867	(856)
Equity options purchased	42,889	57	–	34	42,980	554	–
Equity options written	42,909	57	–	–	42,966	–	(472)
Commodity trading swaps	5,266	406	–	–	5,672	313	(330)
Credit default swaps	–	–	640	–	640	–	(54)
Fair value hedge derivatives							
Currency derivatives	–	1,316	781	–	2,097	28	(153)
Foreign exchange swaps	–	1,316	781	–	2,097	28	(153)
Cash flow hedge derivatives							
Interest rate derivatives	2,393	100	1,804	709	5,006	182	–
Interest rate swaps	2,373	100	1,804	709	4,986	182	–
Interest rate options	20	–	–	–	20	–	–
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	–	3,085	717	–	3,802	–	(47)
Interest rate swaps	–	3,085	717	–	3,802	–	(47)
Currency derivatives	–	–	728	–	728	–	(69)
Foreign exchange swaps	–	–	728	–	728	–	(69)
Total	667,038	1,068,990	767,036	6,661	2,509,725	18,671	(18,636)

There was no ineffective portion of cash flow hedges during the six months ended 30 June 2023 and 2022.

The credit risk weighted amounts in respect of these derivatives are as follows:

	30 June 2023	31 December 2022
Counterparties default risk weighted assets	**1,600**	1,500
Interest rate derivatives	**104**	137
Currency derivatives	**1,370**	1,242
Other derivatives	**126**	121
Credit valuation adjustment risk weighted assets	**1,460**	2,187
Total	**3,060**	3,687

The Group has calculated the exposure of derivatives according to the Notice of the Measures on Default Risk Weighted Assets of Counterparties in Respect of Derivatives and the related requirements issued by the former CBIRC. These amounts have taken the effects of bilateral netting arrangements into account. The risk weighted amounts in respect of derivatives are calculated in accordance with the Administrative Measures on Capital of Commercial Banks (Provisional). The amounts within the scope approved by the former CBIRC in April 2014 are calculated using the Internal Ratings-Based Approach, and the Weighted Approach is adopted to calculate those that are not eligible for the Internal Ratings-Based approach.

41. Risk management *(continued)*

(g) Fair value information

(i) Methods of determining fair value of financial instruments

Several of the Group's accounting policies and disclosure requirements stipulate the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that takes the responsibility for overseeing all significant fair value measurements including the three levels of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRSs, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

- Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;
- Level 2 inputs: other than quoted prices included in level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities inputs;
- Level 3 inputs: inputs that are unobservable for assets or liabilities.

The Group recognises transfers among levels of the fair value hierarchy at the end of the reporting period during which transfer takes place.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis

The following tables present the fair value information and the fair value hierarchy, at the end of the current interim reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date:

	30 June 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	20,112	448,404	4,415	472,931
– Debt securities	19,372	250,768	369	270,509
– Long position in precious metal contracts	106	–	–	106
– Equity investments	625	713	2,857	4,195
– Fund investments	9	192,277	1,142	193,428
– Wealth management products	–	3,822	–	3,822
– Other	–	824	47	871
Financial investments designated at FVTPL	926	13,859	–	14,785
– Debt securities	926	13,859	–	14,785
Derivative financial assets	–	22,675	–	22,675
Loans and advances to customers at FVTPL	–	79,948	4,979	84,927
Debt investments at FVTOCI	149,469	688,879	–	838,348
Loans and advances to customers at FVTOCI	–	369,022	144,241	513,263
Equity investments designated at FVTOCI	8,870	1,870	7,384	18,124
Total	179,377	1,624,657	161,019	1,965,053
Liabilities				
Financial liabilities held for trading	14,467	–	–	14,467
– Financial liabilities related to precious metal	13,962	–	–	13,962
– Short position on bonds	505	–	–	505
Financial liabilities designated at FVTPL	8,116	26,622	2,391	37,129
– Certificates of deposit issued	–	400	–	400
– Debt securities issued	8,116	–	–	8,116
– Other	–	26,222	2,391	28,613
Derivative financial liabilities	–	22,496	–	22,496
Total	22,583	49,118	2,391	74,092

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

The following tables present the fair value information and the fair value hierarchy, at the end of the current interim reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date: (continued)

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	16,175	390,702	4,714	411,591
– Debt securities	15,497	187,349	359	203,205
– Long position in precious metal contracts	108	–	–	108
– Equity investments	494	392	3,493	4,379
– Fund investments	76	199,665	798	200,539
– Wealth management products	–	2,543	–	2,543
– Other	–	753	64	817
Financial investments designated at FVTPL	948	10,928	–	11,876
– Debt securities	948	10,928	–	11,876
Derivative financial assets	–	18,671	–	18,671
Loans and advances to customers at FVTPL	–	3	4,991	4,994
Debt investments at FVTOCI	136,831	643,518	–	780,349
Loans and advances to customers at FVTOCI	–	514,051	100,430	614,481
Equity investments designated at FVTOCI	3,164	2,862	7,390	13,416
Total	157,118	1,580,735	117,525	1,855,378
Liabilities				
Financial liabilities held for trading	17,917	330	–	18,247
– Financial liabilities related to precious metal	17,634	–	–	17,634
– Short position on bonds	283	330	–	613
Financial liabilities designated at FVTPL	7,709	20,541	2,647	30,897
– Certificates of deposit issued	–	383	–	383
– Debt securities issued	7,709	–	–	7,709
– Other	–	20,158	2,647	22,805
Derivative financial liabilities	–	18,636	–	18,636
Total	25,626	39,507	2,647	67,780

During the six months ended 30 June 2023 and 2022, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(1) Basis of determining the market prices for recurring fair value measurements categorised as Level 1

Bloomberg etc. are used for financial instruments with quoted prices in an active market.

(2) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised as Level 2

Fair value of RMB denominated bonds whose value is available on China Bond website on the valuation date is measured using the latest available valuation results.

Fair value of foreign currency bonds without quoted prices in an active market, is measured by using the comprehensive valuations provided by Bloomberg, etc.

Fair value of foreign exchange forwards contracts in derivative financial instruments is measured by discounting the differences between the contract prices and market future prices of the foreign exchange forwards contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of option contracts such as foreign exchange options, commodity options and equity options are measured by using the Black-Scholes model, based on market data such as risk-free interest rate, underlying market prices and price volatility of foreign exchange, commodities, and equity contract. The above market data used are quoted price in an active market, provided by Bloomberg, Refinitiv, Wind and other market information providers.

Fair value of interest rate swaps, foreign exchange swaps, and non-option commodity contracts in derivative financial instruments is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of the reporting period. The discount rates used are the related currency denominated swap yield curve as at the end of reporting period.

Observable quoted price in market is used as the basis of determining the value of equity investments measured at FVTPL, investment funds and wealth management products.

The fair value of discounted bills at FVTOCI and at FVTPL in the Chinese mainland is measured based on the rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange Corporation Ltd. The Group uses 10-day average discount rate as the basis for calculating the value of discounted bills; or is measured by discounted cash flow approach. The discount rates used are determined by factors such as credit rating of the loan customer provided by S&P, Moody's or Fitch, customer industry, term to maturity of the loan, loan currency and the issuer credit spread.

The fair value of equity investments designated at FVTOCI is measured by using the comprehensive valuations on Bloomberg or discounted cash flow approach using the relevant yield curve of China Bond at the end of the reporting period.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations on Bloomberg.

The fair value of "Other" under financial investments measured at FVTPL is measured based on the net asset values.

The fair value of other financial liabilities designated at FVTPL is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3

	Fair value as at 30 June 2023	Valuation techniques	Unobservable inputs
Loans and advances to customers at FVTOCI	**144,241**	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTPL	**4,979**	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	**2,279**	Market approach	Liquidity discount
– Equity investments	**554**	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	**24**	Net asset value approach	Net assets, liquidity discount
– Debt securities	**359**	Discounted cash flow approach	Risk-adjusted discount rate
– Debt securities	**10**	Market approach	Liquidity discount
– Fund investments	**1,141**	Net fund value approach	Net assets
– Fund investments	**1**	Market approach	Liquidity discount
– Other	**47**	Net fund value approach	Net assets
Equity investments designated at FVTOCI	**4,532**	Net asset value approach	Net assets, liquidity discount
Equity investments designated at FVTOCI	**2,747**	Market approach	Liquidity discount
Equity investments designated at FVTOCI	**105**	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Financial liabilities designated at FVTPL	**2,391**	Net fund value approach	Net assets, liquidity discount

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3 *(continued)*

	Fair value as at 31 December 2022	Valuation techniques	Unobservable inputs
Loans and advances to customers at FVTOCI	100,430	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTPL	4,991	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	2,950	Market approach	Liquidity discount
– Equity investments	528	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	15	Net asset value approach	Net assets, liquidity discount
– Debt securities	359	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	797	Net fund value approach	Net assets
– Fund investments	1	Market approach	Liquidity discount
– Other	64	Net fund value approach	Net assets
Equity investments designated at FVTOCI	4,564	Net asset value approach	Net assets, liquidity discount
Equity investments designated at FVTOCI	2,725	Market approach	Liquidity discount
Equity investments designated at FVTOCI	101	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Financial liabilities designated at FVTPL	2,647	Net fund value approach	Net assets, liquidity discount

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3 (continued)

1) Valuation of financial instruments with significant unobservable inputs

The following tables show the movements from the beginning balances to the ending balances for Level 3 financial instruments:

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2023	4,714	4,991	100,430	7,390	117,525
Profit or loss					
– In profit or loss	213	106	(162)	–	157
– In other comprehensive income	–	–	162	(46)	116
Addition for the period	73	–	161,756	31	161,860
Disposals or settlement on maturity	(348)	(122)	(117,945)	–	(118,415)
Transfer out of level 3	(316)	–	–	–	(316)
Exchange difference	79	4	–	9	92
At 30 June 2023	4,415	4,979	144,241	7,384	161,019
Total unrealised gains and losses included in the unaudited consolidated statement of profit or (loss) for assets held at the end of the reporting period	109	88	–	–	197

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2022	4,879	7,281	56,713	4,726	73,599
Profit or loss					
– In profit or loss	(14)	(366)	744	–	364
– In other comprehensive income	–	–	(107)	51	(56)
Addition for the year	1,041	85	196,298	2,527	199,951
Disposals or settlement on maturity	(1,147)	(2,036)	(153,218)	(129)	(156,530)
Transfer out of level 3	(145)	–	–	–	(145)
Exchange difference	100	27	–	215	342
At 31 December 2022	4,714	4,991	100,430	7,390	117,525
Total unrealised gains and losses included in the unaudited consolidated statement of profit or (loss) for assets held at the end of the reporting period	(14)	(366)	–	–	(380)

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3 (continued)

1) Valuation of financial instruments with significant unobservable inputs (continued)

Financial liabilities at fair value through profit or loss	2023	2022
Balance as at 1 January	**2,647**	8,147
In profit or loss	**100**	(142)
Addition for the period/year	**–**	96
Disposals and settlement on maturity	**(378)**	(5,695)
Exchange difference	**22**	241
Balance as at 30 June/31 December	**2,391**	2,647
Total unrealised gains and losses included in the unaudited consolidated statement of profit or (loss) for liabilities held at the end of the reporting period	**(100)**	148

During the six months ended 30 June 2023 and 2022, there were no significant transfers among different levels for financial instruments which are measured at fair value on a recurring basis.

During the six months ended 30 June 2023 and the 2022, the Group did not change the valuation techniques for the financial assets and liabilities disclosed above which are measured at fair value on a recurring basis.

(iii) Financial assets and financial liabilities that are not measured at fair value

(1) Financial Assets

The Group's financial assets that are not measured at fair value mainly include balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortised cost and investments at amortised cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets not measured at fair value mature within 1 year, and their carrying values approximate their fair values. Loans and advances are stated at amortised costs less allowances for impairment loss (Note 16). Loans and advances at amortised cost are mostly priced at floating rates with reference to Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowances are made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances is close to their fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed bonds is disclosed in Note 17(b).

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed as below:

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets using Bloomberg etc. For Level 2, the latest valuation results released by China Bond website are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which are measured using the published comprehensive valuation by Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	30 June 2023					31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	**1,633,293**	**1,684,547**	**57,872**	**1,535,857**	**90,818**	1,536,397	1,569,775	41,700	1,434,070	94,005

Note: The above financial assets do not include interest receivable.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(iii) Financial assets and financial liabilities that are not measured at fair value *(continued)*

(2) Financial Liabilities

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximate their fair value at the end of the reporting period, except for the financial liabilities set out below:

	30 June 2023					31 December 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Subordinated bonds issued	19,990	20,159	–	20,159	–	19,994	20,292	–	20,292	–
Debt securities issued	135,324	132,946	–	132,946	–	120,971	118,416	–	118,416	–
Total	155,314	153,105	–	153,105	–	140,965	138,708	–	138,708	–

Note: The above financial liabilities do not include interest payable.

42. Material related party transactions

(a) Material connected person information

Details of the Bank's major shareholders and their group companies, and subsidiaries of the Bank are as follows:

Company name	Registered location	Issued and fully paid capital (million)	No. of shares of the Bank held by the company	Proportion of the Bank held by the company	Proportion of the company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Merchants Group Ltd. (CMG)	Beijing	RMB16,900	7,559,427,375	29.97% (note (i)(vii))	–	Transportation, shipping agency, warehousing and storage, leasing, manufacturing building and facility, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited liability	Miao Jianmin
– China Merchants Steam Navigation Co., Ltd. (CMSN)	Beijing	RMB17,000	3,289,470,337	13.04% (note (ii))	–	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited liability	Miao Jianmin
– Shenzhen Yan Qing Investment and Development Co., Ltd.	Shenzhen	RMB600	1,258,542,349	4.99%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Sun Xian
– Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600	944,013,171	3.74%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Sun Xian
– China Merchants Financial Holdings Co., Ltd	Shenzhen	RMB7,778	1,147,377,415	4.55%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Miao Jianmin
– Best Winner Investment Ltd.	British Virgin Islands	USD0.05	386,924,063	1.53%	–	–	Shareholder	Joint stock limited company	–

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their group companies, and subsidiaries of the Bank are as follows: (continued)

Company name	Registered location	Issued and fully paid capital (million)	No. of shares of the Bank held by the company	Proportion of the Bank held by the company	Proportion of the company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
– China Merchants Union (BVI) Ltd.	British Virgin Islands	USD0.06	477,903,500	1.89%	–	–	Shareholder	Limited liability	–
– China Merchants Industry Development (Shenzhen) Co., Ltd.	Shenzhen	USD10	55,196,540	0.22%	–	Invest and set up industries, enterprise management consulting and investment consulting, etc.	Shareholder	Limited liability	Wang Xiaoding
China COSCO Shipping Corporation Limited	Shanghai	RMB11,000	2,515,193,034	9.97% (note (iii))	–	International shipping business, supporting services to international shipping, imports and exports of goods and technology, international freight forwarding agent, etc.	Shareholder's parent company	Limited liability	Wan Min
– China Ocean Shipping Co., Ltd.	Beijing	RMB16,191	1,574,729,111	6.24%	–	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited liability	Wan Min
– COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191	696,450,214	2.76%	–	Shipping business	Shareholder	Limited liability	Shou Jian
– Guangzhou Haining Maritime Technology Consulting Co., Ltd.	Guangzhou	RMB52	103,552,616	0.41%	–	Business services	Shareholder	Limited liability	Chen Jianrao
– COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399	75,617,340	0.30%	–	Shipping business, leasing business, ship repairing and building etc.	Shareholder	Limited liability	Zhao Bangtao
– COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500	54,721,930	0.22%	–	Leasing business, financing business, insurance business etc.	Shareholder	Limited liability	Liu Chong
– Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299	10,121,823	0.04%	–	Ship purchasing and marketing business, shipping agency, leasing business, shipping business etc.	Shareholder	Limited liability	Lin Rui
China Insurance Security Fund Co., Ltd	Beijing	RMB100	776,574,735	3.08% (note (iv))	–	Collecting, managing and employing China Insurance Security Fund, monitoring risk in the insurance industry, participating in risk solution of insurance industry, taking over and disposing of liquidation assets, etc.	Shareholder's parent company	Limited liability	Ji Yuhua
– Dajia Life Insurance Co., Ltd	Beijing	RMB30,790	776,574,735	3.08%	–	Life insurance, health insurance, accident insurance, and other personal insurance services, etc.	Shareholder	Joint stock limited company	He Xiaofeng
China Communications Construction Group Limited	Beijing	RMB7,274	422,770,418	1.68% (note (v))	–	General contraction for construction	Shareholder's parent company	Limited liability	Wang Tongzhou

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their group companies, and subsidiaries of the Bank are as follows: (continued)

Company name	Registered location	Issued and fully paid capital (million)	No. of shares of the Bank held by the company	Proportion of the Bank held by the company	Proportion of the company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
– China Communications Construction Company Limited	Beijing	RMB16,166	201,089,738	0.80%	–	General contraction for construction, leasing and repair, technical consulting service, imports and exports, investment and management business	Shareholder	Joint stock limited company	Wang Tongzhou
Shanghai Automotive Industry Corporation (Group)	Shanghai	RMB21,749	310,125,822	1.23% (note (vi))	–	Production and sale of vehicles, asset management business, domestic trade business, consulting service	Shareholder's parent company	Limited liability	Chen Hong
– SAIC Motor Corporation Limited	Shanghai	RMB11,683	310,125,822	1.23%	–	Production and sale of vehicles, consulting service, imports and exports	Shareholder	Joint stock limited company	Chen Hong
CMB International Capital Holdings Corporation Limited (CMBIC)	Hong Kong	HKD4,129	–	–	100%	Investment bank and investment managements	Subsidiary	Limited liability	Wang Liang
CMB Financial Leasing Co., Ltd (CMBFL)	Shanghai	RMB12,000	–	–	100%	Finance lease	Subsidiary	Limited liability	Shi Shunhua
CMB Wing Lung Bank Limited (CMB WLB)	Hong Kong	HKD1,161	–	–	100%	Banking	Subsidiary	Limited liability	Wang Liang
China Merchants Fund Management Co., Ltd. (CMFM)	Shenzhen	RMB1,310	–	–	55%	Fund Management	Subsidiary	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd (CMBWM)	Shenzhen	RMB5,556	–	–	90%	Asset management	Subsidiary	Limited liability	Chen Yisong
China Merchants Bank (Europe) S.A. (CMB Europe S.A)	Luxembourg	EUR100	–	–	100%	Banking	Subsidiary	Limited liability	Xue Fei
Cigna & CMB Asset Management Company Limited (CIGNA & CMAM)	Beijing	RMB500	–	–	Note (viii)	Asset management	Subsidiary	Limited liability	Wang Xiaoqing

Notes:

(i) CMG held 29.97% of the Bank indirectly (31 December 2022: 29.97%) through its subsidiaries as at 30 June 2023.

(ii) As the largest direct shareholder, CMSN, a subsidiary of CMG, held 13.04% of the Bank as at 30 June 2023 (31 December 2022: 13.04%).

(iii) China COSCO Shipping Corporation Ltd. held 9.97% of the Bank (31 December 2022: 9.97%) through its subsidiaries as at 30 June 2023.

(iv) China Insurance Security Fund Co., Ltd ("China Insurance Security Fund") held 3.08% of the Bank indirectly as at 30 June 2023 (31 December 2022: 3.19%) through its 98.23% holding in Dajia Life Insurance Co., Ltd (31 December 2022: 98.23%).

(v) China Communications Construction Group Limited ("China Communications Construction Group") held 1.68% of the Bank indirectly as at 30 June 2023 through its subsidiaries (31 December 2022: 1.68%).

(vi) Shanghai Automotive Industry Corporation (Group) ("Shanghai Automotive Industry Group") held 1.23% of the Bank indirectly as at 30 June 2023 through its subsidiary (31 December 2022: 1.23%).

(vii) The sum of the direct holding percentage of CMG's shareholdings in the Bank and the sum of the above-mentioned relevant percentages may differ slightly due to rounding.

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

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The registered capital of the Group's related parties are as follows:

Name of related party	30 June 2023		31 December 2022	
CMG	RMB	16,900,000,000	RMB	16,900,000,000
CMSN	RMB	17,000,000,000	RMB	17,000,000,000
Shenzhen Yan Qing Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
China Merchants Financial Holdings Co., Ltd.	RMB	7,778,000,000	RMB	7,778,000,000
Best Winner Investment Ltd.	USD	50,000	USD	50,000
China Merchants Union (BVI) Limited	USD	60,000	USD	60,000
China Merchants Industry Development (Shenzhen) Co., Ltd.	USD	10,000,000	USD	10,000,000
China Insurance Security Fund	RMB	100,000,000	RMB	100,000,000
Dajia Life Insurance Co., Ltd	RMB	30,790,000,000	RMB	30,790,000,000
China COSCO Shipping Corporation Limited.	RMB	11,000,000,000	RMB	11,000,000,000
China Ocean Shipping Co., Ltd.	RMB	16,191,351,300	RMB	16,191,351,300
COSCO Shipping (Guangzhou) Co., Ltd.	RMB	3,191,200,000	RMB	3,191,200,000
Guangzhou Haining Maritime Technology Consulting Co., Ltd.	RMB	52,000,000	RMB	52,000,000
COSCO Shipping (Shanghai) Co., Ltd.	RMB	1,398,941,000	RMB	1,398,941,000
COSCO Shipping Investment Holdings Co., Ltd.	HKD	500,000,000	HKD	500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	RMB	299,020,000	RMB	299,020,000
China Communications Construction Group Limited	RMB	7,274,023,830	RMB	7,274,023,830
China Communications Construction Company Limited	RMB	16,165,711,425	RMB	16,165,711,425
Shanghai Automotive Industry Corporation (Group)	RMB	21,749,175,737	RMB	21,749,175,737
SAIC Motor Corporation Limited	RMB	11,683,461,365	RMB	11,683,461,365
CMBIC	HKD	4,129,000,000	HKD	4,129,000,000
CMBFL	RMB	12,000,000,000	RMB	12,000,000,000
CMB WLB	HKD	1,160,950,575	HKD	1,160,950,575
CMFM	RMB	1,310,000,000	RMB	1,310,000,000
CMBWM	RMB	5,555,555,555	RMB	5,555,555,555
CMB Europe S.A.	EUR	100,000,000	EUR	50,000,000
CIGNA & CMAM	RMB	500,000,000	RMB	500,000,000

42. Material related party transactions *(continued)*

(b) Terms and conditions for related-party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, deposit taking, securities trading, providing agency and trust services, and off-balance sheet transactions. In the opinion of the directors, the Group enters into such material related-party transactions under normal commercial terms. Interest rates on loans and deposits are strictly set in accordance with the deposit and loan interest rate management regulations published by the PBOC, and such banking transactions are priced based on the market prices at the time of transactions:

	30 June 2023	31 December 2022
Short-term loans	**3.55% to 3.65%**	3.65% to 3.80%
Medium to long-term loans	**3.55% to 4.65%**	3.65% to 4.65%
Demand deposits	**0.35%**	0.35%
Time deposits	**1.10% to 2.75%**	1.10% to 2.75%

There were no loans and advances granted to related parties that were credit impaired during the period (2022: None).

(c) Shareholders and their related companies

The Bank's largest shareholder CMG through CMSN and its related companies held 29.97% (31 December 2022: 29.97%) of the Bank's shares as at 30 June 2023 (among them 13.04% of the shares were directly held by CMSN (31 December 2022: 13.04%)).

The Group's transactions and balances with CMSN and its related companies are disclosed as follows:

	30 June 2023	31 December 2022
On-balance sheet:		
– Placements with banks and other financial institutions	**1,900**	2,000
– Amounts held under resale agreements	**–**	2,589
– Loans and advances to customers	**49,977**	40,772
– Financial investments	**12,196**	7,626
– Deposits from banks and other financial institutions	**29,510**	29,726
– Deposits from customers	**65,534**	45,342
– Lease liabilities	**231**	210
Off-balance sheet:		
– Irrevocable guarantees	**3,840**	5,087
– Irrevocable letters of credit	**378**	318
– Bills of acceptances	**453**	285

	Six months ended 30 June	
	2023	2022
Interest income	**1,111**	971
Interest expense	**(719)**	(707)
Net fee and commission income	**1,024**	749
Operating expenses	**(61)**	(10)
Other net income	**21**	1

42. Material related party transactions *(continued)*

(d) Companies that share common directors, supervisors or senior management with the Bank (other than those disclosed in Note 42(c)) and they can control or exercise significant influence over the companies

	30 June 2023	31 December 2022
On-balance sheet:		
– Placements with banks and other financial institutions	–	2,277
– Amounts held under resale agreements	–	3,770
– Loans and advances to customers	**10,360**	28,103
– Financial investments	**2,931**	770
– Deposits from banks and other financial institutions	**2,665**	4,346
– Placements from banks and other financial institutions	–	6,047
– Deposits from customers	**12,597**	13,447
– Lease liabilities	–	65
Off-balance sheet:		
– Irrevocable guarantees	**355**	580
– Irrevocable letters of credit	–	6

	Six months ended 30 June	
	2023	2022
Interest income	**335**	321
Interest expense	**(303)**	(500)
Net fee and commission income	**76**	99
Operating expenses	**(180)**	(961)
Other net income	**4**	2

(e) Associates and joint ventures other than those disclosed in Note 42(c)

	30 June 2023	31 December 2022
On-balance sheet:		
– Placements with banks and other financial institutions	**11,000**	14,675
– Loans and advances to customers	**6,851**	6,848
– Deposits from banks and other financial institutions	**839**	896
– Deposits from customers	**511**	331

	Six months ended 30 June	
	2023	2022
Interest income	**247**	167
Interest expense	**(12)**	(10)
Net fee and commission income	**1,621**	2,044
Operating expenses	**(1)**	(8)

42. Material related party transactions *(continued)*

(f) Other major shareholders holding more than 5% shares of the Bank and exercising significant influence over the Bank

	30 June 2023	31 December 2022
On-balance sheet:		
– Loans and advances to customers	**40,727**	27,070
– Financial investments	**3,367**	4,302
– Deposits from banks and other financial institutions	**3,054**	2,929
– Deposits from customers	**30,932**	14,872
– Lease liabilities	**36**	40
Off-balance sheet:		
– Irrevocable guarantees	**11,019**	8,511
– Irrevocable letters of credit	**1,576**	1,835
– Bills of acceptances	**9,969**	5,125

	Six months ended 30 June	
	2023	2022
Interest income	**735**	452
Interest expense	**(232)**	(415)
Net fee and commission income	**80**	2,221
Other net income/(expense)	**124**	(1)

(g) Subsidiaries

	30 June 2023	31 December 2022
On-balance sheet		
– Balances with banks and other financial institutions	**876**	958
– Placements with banks and other financial institutions	**31,381**	32,438
– Loans and advances to customers	**11,786**	1,396
– Financial investments	**2,208**	3,415
– Deposits from banks and other financial institutions	**5,302**	4,630
– Deposits from customers	**2,902**	5,206
Off-balance sheet		
– Irrevocable guarantees	**8,332**	7,741
– Irrevocable letters of credit	**5,102**	4,599
– Bills of acceptances	**745**	222

	Six months ended 30 June	
	2023	2022
Interest income	**333**	492
Interest expense	**(61)**	(97)
Net fee and commission income/(expense)	**123**	(233)
Operating expenses	**(678)**	(4)
Other net income	**105**	60

All significant balances and transactions between the Bank and its subsidiaries have been eliminated in the consolidated financial statements.

43. Non-controlling interests

Non-controlling interests represent the interests that the Group does not hold in the subsidiaries, the Group does not have any subsidiary with significant non-controlling interests during the reporting period.

(a) Perpetual debt capital

CMB WLB, the Group's subsidiary, issued perpetual debt of USD400 million on 24 January 2019. Movements of these perpetual debt capital are as follows:

	Principal	Distributions/ Paid	Total
At 1 January 2023	**2,787**	**–**	**2,787**
Distributions in the period	**–**	**88**	**88**
Paid in the period	**–**	**(88)**	**(88)**
Exchange difference	**111**	**–**	**111**
At 30 June 2023	**2,898**	**–**	**2,898**

	Principal	Distributions/ Paid	Total
At 1 January 2022	3,636	–	3,636
Redemption in 2022	(1,104)	–	(1,104)
Distributions in 2022	–	202	202
Paid in 2022	–	(202)	(202)
Exchange difference	255	–	255
At 31 December 2022	2,787	–	2,787

There is no maturity for the instruments and the payments of distribution can be cancelled at the discretion of the issuer. Cancelled interest is non-cumulative. There is no contractual obligation to deliver cash to other parties. During the six months ended 30 June 2023 and 2022, CMB WLB did not cancel any payment of distribution and the corresponding amount was paid to the perpetual debt holders accordingly.

44. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. Such transfers give rise to full or partial derecognition of the financial assets concerned when derecognition criteria are met fully or partially. When the Group retains substantially all the risks and rewards of these transferred assets, the transfers do not qualify for derecognition. As a result, the Group continues to recognise these transferred assets.

44. Transfers of financial assets *(continued)*

Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire certain investments at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, the Group derecognises the transferred credit assets in their entirety. During the six months ended 30 June 2023, the Group has transferred loans amounted to RMB11,376 million (six months ended 30 June 2022: RMB9,278 million) in securitisation arrangements, as well as substantially all the risks and rewards associated with the loans. The full amount of such securitised loans was then derecognised.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets, and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the six months ended 30 June 2023, there were no new securitised credit assets in which the Group retained the continuing involvement (six months ended 30 June 2022: None). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability were recognised in other assets and other liabilities in the unaudited consolidated statement of financial position and amounted to RMB5,274 million as at 30 June 2023 (31 December 2022: RMB5,274 million).

Transfers of credit assets to third parties

During the six months ended 30 June 2023, in addition to securitisation transactions, the Group transferred credit assets amounting to RMB710 million (six months ended 30 June 2022: RMB986 million) to independent third parties directly. The Group determined that these transferred assets qualified for full derecognition, since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. Instead, it recognises a financial liability for cash received as collateral.

45. Interests in unconsolidated structured entities

The scope of the Group's consolidated financial statements is determined on a control basis. Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to affect the amount of its return.

The Group has the power over structured subjects, and the other investors have no substantive rights. In the meantime, the Group is entitled to variable returns, and will consolidate entities, in which the Group has the right to affect the amount of its return.

45. Interests in unconsolidated structured entities *(continued)*

In addition to the above-mentioned structured entities that have been included in the Group's consolidated financial statements, the equity information on structured entities that are not consolidated by the Group is as follows:

(a) Interests in the structured entities sponsored by third parties

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, assets backed securities and investments in funds, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following tables set out an analysis of the balance of interests held by the Group in the structured entities sponsored by third parties and an analysis of the line items in the unaudited consolidated statement of financial positions as at 30 June 2023 and 31 December 2022:

	30 June 2023				
	Carrying amount				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	43,428	–	43,428	43,428
Trust beneficiary rights	–	37,560	–	37,560	37,560
Asset backed securities	278	1,219	12,555	14,052	14,052
Fund investments	184,118	–	–	184,118	184,118
Wealth management products	563	–	–	563	563
Total	184,959	82,207	12,555	279,721	279,721

	31 December 2022				
	Carrying amount				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	48,362	–	48,362	48,362
Trust beneficiary rights	–	37,954	–	37,954	37,954
Asset backed securities	835	1,031	170	2,036	2,036
Fund investments	186,311	–	–	186,311	186,311
Wealth management products	110	–	–	110	110
Total	187,256	87,347	170	274,773	274,773

The maximum exposures of investments in funds, trust beneficiary rights, asset management schemes, wealth management products and asset backed securities are the carrying amount of these assets.

45. Interests in unconsolidated structured entities *(continued)*

(b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and assets management schemes. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. Interest of the Group in these unconsolidated structured entities is limited to fees and commissions charged for management services provided.

As at 30 June 2023, the amount of the unconsolidated non-principal-guaranteed wealth management products sponsored by the Group was RMB2,530,409 million (31 December 2022: RMB2,667,663 million).

As at 30 June 2023, the amount of the unconsolidated funds sponsored by the Group was RMB1,262,035 million (31 December 2022: RMB1,219,793 million).

As at 30 June 2023, the amount of the unconsolidated asset management schemes sponsored by the Group was RMB197,580 million (31 December 2022: RMB189,332 million).

As at 30 June 2023, the amount of the Group-sponsored unconsolidated non-principal-guaranteed wealth management products held by the Group was RMB3,259 million (31 December 2022: RMB2,433 million).

As at 30 June 2023, the amount of the Group-sponsored unconsolidated funds held by the Group was RMB9,310 million (31 December 2022: RMB14,228 million).

During the six months ended 30 June 2023, the amount of fee and commission income the Group received from such non-principal-guaranteed wealth management products was RMB5,893 million (six months ended 30 June of 2022: RMB9,603 million).

During the six months ended 30 June 2023, the amount of fee and commission income the Group received from such unconsolidated funds was RMB2,686 million (six months ended 30 June 2022: RMB2,854 million).

During the six months ended 30 June 2023, the amount of fee and commission income the Group received from such unconsolidated asset management schemes was RMB272 million (six months ended 30 June of 2022: RMB241 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2023 with a maturity date before 30 June 2023 was RMB192,463 million (six months ended 30 June 2022: RMB254,905 million).

46. Comparative figures

Certain comparative figures in the unaudited consolidated financial statements and notes have been re-presented to conform to changes in presentation and disclosures in current period.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(A) Capital adequacy ratio

The Group's capital adequacy ratio was prepared solely in accordance with the former *CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional)* issued in 2012 and effective on 1 January 2013. The bases used herein may differ from those adopted in Hong Kong or other countries and regions.

In accordance with the Advanced Measurement Approach approved by the former CBIRC in April 2014, the Group calculates core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as follows:

	30 June 2023	31 December 2022
Core tier-1 capital adequacy ratio	**13.09%**	13.68%
Tier-1 capital adequacy ratio	**14.99%**	15.75%
Capital adequacy ratio	**17.09%**	17.77%
Components of capital base		
Core tier-1 capital:		
Qualifying portion of share capital	**25,220**	25,220
Qualifying portion of capital reserve	**65,553**	65,397
Surplus reserve	**94,948**	94,948
General reserve	**132,825**	132,451
Retained earnings	**518,244**	488,970
Qualifying portion of non-controlling interests	**–**	–
Other (note (i))	**16,116**	14,480
Total core tier-1 capital	**852,906**	821,466
Regulatory deductions from core tier-1 capital	**21,249**	22,114
Net core tier-1 capital	**831,657**	799,352
Additional tier-1 capital (note (ii))	**120,446**	120,446
Net tier-1 capital	**952,103**	919,798
Tier-2 capital:		
Qualifying portion of tier-2 capital instruments and their premium	**20,000**	20,000
Surplus provision for loans impairment	**112,037**	96,579
Qualifying portion of non-controlling interests	**1,744**	1,565
Total tier-2 capital	**133,781**	118,144
Regulatory deductions from tier-2 capital	**–**	–
Net tier-2 capital	**133,781**	118,144
Net capital	**1,085,884**	1,037,942
Total risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**6,352,309**	5,841,685

Notes:

(i): Under former CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional), other includes exchange reserve in the unaudited consolidated financial statements, etc.

(ii): The Group's additional tier-1 capital includes preference shares, qualifying portion of non-controlling interests, etc.

As at 30 June 2023, the Group's core tier-1 capital adequacy ratio was 11.16%, tier-1 capital adequacy ratio was 12.78%, capital adequacy ratio was 14.19%, net capital was RMB1,057,292 million and total risk-weighted assets were RMB7,451,919 million, using the Weighted Approach for credit risk, Standardised Measurement Approach for market risk and Basic Indicator Approach for operational risk in the calculations.

(B) Leverage ratio

In accordance with the former CBIRC's Administrative Measures on Leverage Ratio of Commercial Banks (Revision) issued in 2015 and effective on 1 April 2015, the Group's leverage ratio is as follows. The basis used herein may differ from those adopted in Hong Kong or other countries and regions.

The difference between regulatory items and accounting items:

	30 June 2023	31 December 2022
Total consolidated assets as per published financial statements	**10,739,836**	10,138,912
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(59,389)**	(47,666)
Adjustments for fiduciary assets	**–**	–
Adjustments for derivative financial instruments	**(11,498)**	(7,911)
Adjustment for securities financing transactions	**37,013**	12,444
Adjustment for off-balance sheet items	**1,673,816**	1,496,177
Other adjustments	**(21,249)**	(22,114)
Balance of adjusted on-balance sheet and off-balance sheet assets	**12,358,529**	11,569,842

Leverage ratio, net tier-1 capital, adjusted on-balance sheet and off-balance sheet assets and other information:

	30 June 2023	31 December 2022
1. Net tier-1 capital	952,103	919,798
2. Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	10,359,283	9,773,998
On-balance sheet items (excluding derivatives and securities financing transactions (SFT))	10,380,532	9,796,112
Less: Asset amounts deducted in determining Basel III Tier 1 capital	(21,249)	(22,114)
3. Total derivative exposures	11,142	10,726
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	4,922	5,551
Add-on amounts for potential future exposure associated with all derivatives transactions	6,220	5,175
Gross-up for derivatives collateral provided where deducted from the balance sheet assets	–	–
Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
Less: Exempted central counterparty leg of client-cleared trade exposures	–	–
Effective notional amount of written credit derivatives	–	–
Less: Adjusted effective notional deductions for written credit derivatives	–	–
4. Total securities financing transaction exposures	314,288	288,941
Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	277,275	276,497
Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
Counterparty credit risk exposure for SFT assets	37,013	12,444
Agent transaction exposures	–	–
5. Balance of adjusted off-balance sheet assets	1,673,816	1,496,177
Off-balance sheet exposure at gross notional amount	3,348,941	3,093,836
Less: Adjustments for conversion to credit equivalent amounts	(1,675,125)	(1,597,659)
6. Balance of adjusted on-balance sheet and off-balance sheet assets	12,358,529	11,569,842
7. Leverage ratio	7.70%	7.95%

(C) Liquidity coverage ratio

The Group prepares and discloses information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries and regions. The average liquidity coverage ratio of the Group was 172.58% in the second quarter of 2023, an increase of 4.41 percentage points over the previous quarter, which was mainly caused by the increase in stock of high quality liquid assets. The Group's liquidity coverage ratio at the end of the second quarter of 2023 was 168.50%, which was in line with the regulatory requirements. The breakdown of the Group's average value of each item of liquidity coverage ratio in the second quarter of 2023 is set out below:

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount (average value)	Weighted amount (average value)
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**	/	**1,916,908**
Cash outflows			
2	Retail and small business customers deposits, of which:	3,473,716	306,964
3	Stable deposits	808,171	40,409
4	Less stable deposits	2,665,545	266,555
5	Unsecured wholesale funding, of which:	4,406,311	1,449,761
6	Operational deposits (excluding correspondent banks)	2,756,703	682,282
7	Non-operational deposits (including all counterparties)	1,643,328	761,199
8	Unsecured debt issuance	6,280	6,280
9	Secured funding	/	11,539
10	Additional requirements, of which:	1,803,027	323,104
11	Cash outflows arising from derivative contract and other transactions arising from related collateral requirements	228,103	228,103
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,574,924	95,001
14	Other contractual obligations to extend funds	87,975	87,975
15	Other contingent funding obligations	3,325,677	102,934
16	**Total cash outflows**	/	**2,282,277**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	233,758	233,243
18	Contractual inflows from fully performing loans	1,110,342	713,572
19	Other cash inflows	225,475	224,735
20	**Total cash inflows**	**1,569,575**	**1,171,550**
			Adjusted value
21	**Total stock of high quality liquid assets**		**1,916,908**
22	**Net cash outflows**		**1,110,727**
23	**Liquidity coverage ratio (%)**		**172.58%**

Notes:

(i) The data of legal person in the above table is a simple arithmetic average of the 91-day value in the latest quarter and the month-end average in the latest quarter is used for the subsidiaries.

(ii) The high quality liquid assets in the above table comprise cash, central bank reserve available under stress conditions, as well as the bonds that meet the definition of Tier 1 and Tier 2 assets set out by the former CBIRC on the "Measures for the Liquidity Risk Management of Commercial Banks".

(D) Net stable funding ratio

The Group prepares and discloses information on Net Stable Funding ratio in accordance with the "Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries and regions. The Group's Net Stable Funding Ratio at the end of the second quarter of 2023 was 130.13%, representing an increase of 1.27 percentage points as compared with the previous quarter, which was mainly affected by the increase in deposit scale. The breakdown of the Group's Net Stable Funding Ratio in the last two quarters is set out below:

30 June 2023

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Available stable funding (ASF) item						
1	Capital	993,401	–	–	–	993,401
2	Regulatory capital	993,401	–	–	–	993,401
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers	2,317,117	1,324,521	85,860	6,829	3,403,929
5	Stable deposits	842,973	3,545	503	1,194	805,864
6	Less stable deposits	1,474,144	1,320,976	85,357	5,635	2,598,065
7	Wholesale funding	2,914,086	2,151,662	198,293	314,304	2,661,333
8	Operational deposits	2,754,763	–	–	–	1,377,382
9	Other wholesale funding	159,323	2,151,662	198,293	314,304	1,283,951
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	4,205	164,737	85,704	140,914	150,657
12	NSFR derivative liabilities				33,109	
13	All other liabilities and equity not included in the above categories	4,205	164,737	85,704	107,805	150,657
14	**Total ASF**					7,209,320
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					330,517
16	Deposits held at other financial institutions for operational purposes	71,949	10,686	–	4,674	45,992
17	Performing loans and securities	83,132	2,488,212	1,148,818	3,862,285	4,760,359
18	Performing loans to financial institutions secured by Level 1 HQLA	–	263,840	–	–	39,576
19	Performing loans to financial institutions secured by non-Level 1 HQLA or unsecured performing loans to financial institutions	542	727,845	79,790	26,389	175,553
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,280,749	962,892	2,286,983	3,027,969
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	207,923	146,705	188,935	300,122

(D) Net stable funding ratio *(continued)*

30 June 2023 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Required stable funding (RSF) item *(continued)*						
22	Performing residential mortgages, of which:	–	24,867	25,341	1,332,509	1,156,169
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	82,590	190,911	80,795	216,404	361,092
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	7,213	66,069	33,757	114,529	194,637
27	Physical traded commodities, including gold	2,213				1,881
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				179	152
29	NSFR derivative assets				33,910	801
30	NSFR derivative liabilities before deduction of variation margin posted				6,756	6,756
31	All other assets not included in the above categories	5,000	66,069	33,757	80,440	185,047
32	Off-balance sheet items				5,493,863	208,632
33	Total RSF					5,540,137
34	Net Stable Funding Ratio (%)					130.13%

(D) Net stable funding ratio *(continued)*

31 March 2023

(Expressed in millions of Renminbi except percentage)

		Unweighted amount				Weighted amount
Serial No.		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Available stable funding (ASF) item						
1	Capital	996,964	–	–	–	996,964
2	Regulatory capital	996,964	–	–	–	996,964
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from Small business customer	2,310,755	1,234,129	62,110	6,971	3,292,945
5	Stable deposits	790,021	3,020	554	1,440	755,356
6	Less stable deposits	1,520,734	1,231,109	61,556	5,531	2,537,589
7	Wholesale funding	2,814,008	2,097,434	294,916	317,291	2,623,178
8	Operational deposits	2,667,763	–	–	–	1,333,881
9	Other wholesale funding	146,245	2,097,434	294,916	317,291	1,289,297
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	2,713	140,696	62,668	140,161	153,517
12	NSFR derivative liabilities				17,978	
13	All other liabilities and equity not included in the above categories	2,713	140,696	62,668	122,183	153,517
14	**Total ASF**					7,066,604
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					331,603
16	Deposits held at other financial institutions for operational purposes	61,962	12,173	1,662	2,184	40,082
17	Performing loans and securities	131,635	2,225,817	1,275,220	3,784,103	4,726,631
18	Performing loans to financial institutions secured by Level 1 HQLA	–	104,262	–	–	15,639
19	Performing loans to financial institutions secured by non-Level 1 HQLA or unsecured performing loans to financial institutions	605	673,064	186,696	38,092	232,502
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,247,013	985,067	2,210,330	2,956,694
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	193,375	146,557	190,634	293,877
22	Performing residential mortgages, of which:	–	24,347	25,046	1,328,421	1,152,340
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	131,030	177,131	78,411	207,260	369,456

(D) Net stable funding ratio *(continued)*

31 March 2023 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Required stable funding (RSF) item *(continued)*						
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	7,550	73,606	38,054	81,072	184,363
27	Physical traded commodities, including gold	2,230				1,895
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				230	195
29	NSFR derivative assets				19,517	1,539
30	NSFR derivative liabilities before deduction of variation margin posted				3,699	3,699
31	All other assets not included in the above categories	5,320	73,606	38,054	61,325	177,035
32	Off-balance sheet items				5,219,819	201,233
33	Total RSF					5,483,912
34	Net Stable Funding Ratio (%)					128.86%

Notes:

(i) The Group calculates Net Stable Funding Ratio in accordance with the "Measures for the Liquidity Risk Management of Commercial Banks" and relevant statistical regulations.

(ii) Items to be reported in the "no maturity" bucket include, but not limited to, items such as capital with perpetual maturity, no maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

(iii) The item 26 "Other assets" unweighted amount in the above table does not include the item 30 "NSFR derivative liabilities before deduction of variation margin posted".

(E) International claims

The Group is principally engaged in business operations within the Chinese mainland and regards all claims on third parties outside the Chinese mainland and claims in foreign currencies on third parties within the Chinese mainland as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

International claims are disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk is transferred only when the claims are guaranteed by a party in country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2023			
	Banks and other financial institutions	**Public sector entities**	**Other**	**Total**
Foreign currencies transactions in the Chinese mainland	**96,821**	**5,100**	**149,802**	**251,723**
Asia Pacific excluding the Chinese mainland	**43,748**	**21,324**	**187,187**	**252,259**
– of which attributed to Hong Kong	**22,257**	**19,071**	**170,438**	**211,766**
Europe	**11,651**	**2,845**	**22,898**	**37,394**
North and South America	**42,354**	**85,483**	**16,562**	**144,399**
Total	**194,574**	**114,752**	**376,449**	**685,775**

	31 December 2022			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currencies transactions in the Chinese mainland	89,883	4,419	156,029	250,331
Asia Pacific excluding the Chinese mainland	62,407	22,043	162,273	246,723
– of which attributed to Hong Kong	39,726	19,891	146,107	205,724
Europe	12,472	1,732	20,479	34,683
North and South America	44,948	81,981	19,809	146,738
Total	209,710	110,175	358,590	678,475

(F) Loans and advances to customers overdue for more than 90 days

(i) By geographical segments

	30 June 2023	31 December 2022
Headquarters	**12,966**	11,980
Yangtze River Delta region	**10,556**	7,716
Bohai Rim region	**4,757**	4,051
Pearl River Delta and West side of Taiwan Strait	**3,827**	4,619
Northeast region	**1,106**	967
Central region	**6,496**	5,239
Western region	**4,295**	3,653
Outside the Chinese mainland	**665**	395
Subsidiaries	**2,367**	2,458
Total	**47,035**	41,078

(ii) By overdue period

	30 June 2023	31 December 2022
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	**14,337**	15,379
– between 6 and 12 months (inclusive)	**13,888**	11,290
– over 12 months	**18,810**	14,409
Total	**47,035**	41,078
As a percentage of total gross loans and advances:		
– between 3 and 6 months (inclusive)	**0.22%**	0.25%
– between 6 and 12 months (inclusive)	**0.22%**	0.19%
– over 12 months	**0.30%**	0.24%
Total	**0.74%**	0.68%

(iii) Collateral information

	30 June 2023	31 December 2022
Secured portion of overdue loans and advances	**21,159**	16,404
Unsecured portion of overdue loans and advances	**25,876**	24,674
Fair value of collateral held against overdue loans and advances	**51,047**	42,302

The amount of the Group's overdue loans and advances to financial institutions for more than 90 days as at 30 June 2023 was RMB1 million (31 December 2022: RMB1 million).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the Hong Kong Monetary Authority (the "HKMA").

Loans and advances with a specific repayment date are classified as overdue when either the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments of a loan is overdue, the whole amount of the loan is classified as overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions.

The collateral of the Group includes cash deposit, shares, land use right, property, motor vehicles and other equipment, etc. The fair value of collateral is estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(G) Rescheduled loans and advances to customers

	30 June 2023		31 December 2022	
	Amount	% of total loans and advances	Amount	% of total loans and advances
Rescheduled loans and advances to customers (Note)	**14,130**	**0.22%**	12,076	0.20%
Less:				
– rescheduled loans and advances overdue more than 90 days	**7,700**	**0.12%**	5,207	0.09%
Rescheduled loans and advances less than 90 days	**6,430**	**0.10%**	6,869	0.11%

Note: Represents the restructured non-performing loans.

The amount of the Group's rescheduled loans and advances to financial institutions as at 30 June 2023 was nil (31 December 2022: Nil).

(H) Non-bank the Chinese mainland exposures

The Bank is a commercial bank incorporated in the Chinese mainland with its banking business primarily conducted in the Chinese mainland. As of 30 June 2023 and 31 December 2022, most of the Bank's exposures arose from businesses with the Chinese mainland non-bank institutions or individuals. Analyses of various types of exposure by counterparty have been disclosed in the notes to the interim consolidated financial statements.

(I) Currency concentrations other than RMB

	30 June 2023			
	USD	HKD	Other	Total
		(in millions of RMB)		
Non-structural position				
Spot assets	**586,360**	**39,196**	**53,376**	**678,932**
Spot liabilities	**536,932**	**22,823**	**84,883**	**644,638**
Forward purchased	**337,930**	**5,587**	**65,880**	**409,397**
Forward written	**422,227**	**10,233**	**36,325**	**468,785**
Net option position	**39,884**	**48**	**982**	**40,914**
Net long position	**5,015**	**11,775**	**(970)**	**15,820**
Net structural position	**9,500**	**41,211**	**1,637**	**52,348**

	31 December 2022			
	USD	HKD	Other	Total
		(in millions of RMB)		
Non-structural position				
Spot assets	547,489	41,714	53,176	642,379
Spot liabilities	530,903	16,460	91,232	638,595
Forward purchased	276,555	2,258	56,399	335,212
Forward written	305,169	17,447	18,938	341,554
Net option position	15,700	(1,122)	(695)	13,883
Net long position	3,672	8,943	(1,290)	11,325
Net structural position	9,974	40,691	1,136	51,801

The net option position is calculated using the delta equivalent approach required by the HKMA. The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign exchange. Structural assets and liabilities include:

– Investment properties, property and equipment, net of depreciation charges;

– Capital and statutory reserves of overseas branches; and

– Investments in overseas subsidiaries.