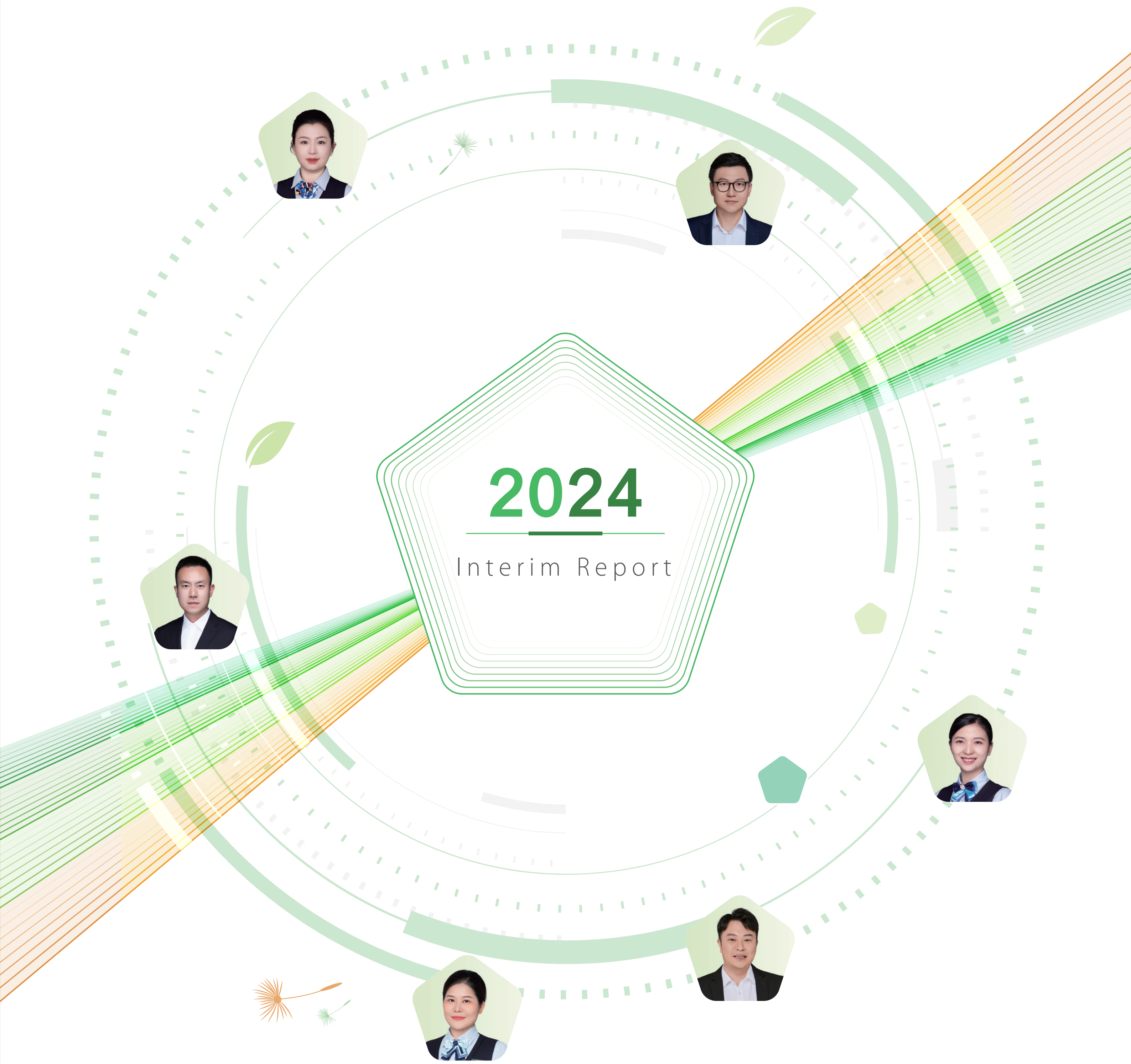
中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

Green world better life

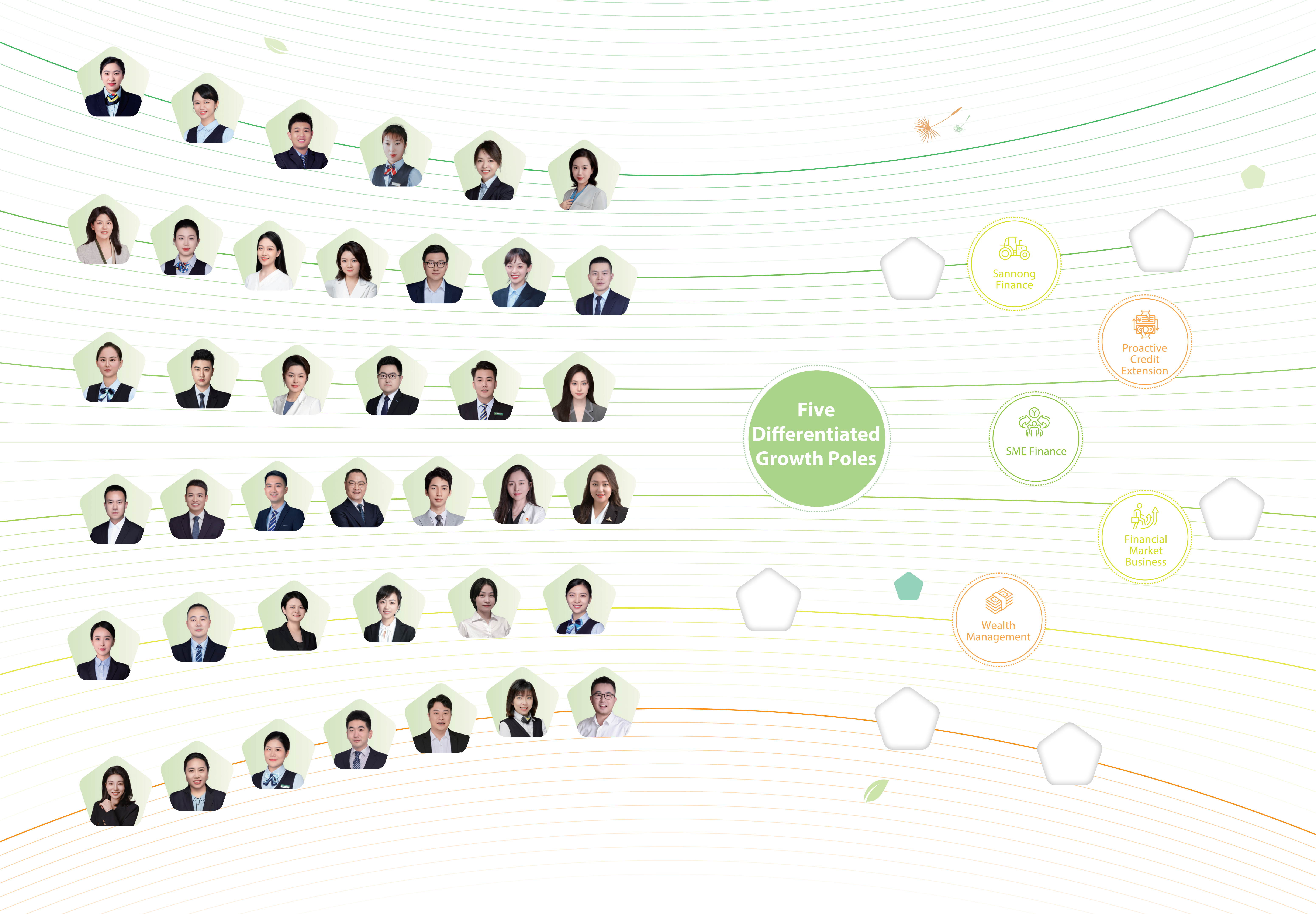


2024
Interim Report

Postal Savings Bank of China Co., Ltd.

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

Stock Code: 1658


Five Differentiated Growth Poles
Sannong Finance
Proactive Credit Extension
SME Finance
Financial Market Business
Wealth Management

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and the senior management of the Bank undertake that the information in this report is true, accurate and complete and contains no false records, misleading statements or material omissions, and they assume individual and joint legal liabilities for such information.

The 2024 interim report, highlights and results announcement were reviewed and approved at the meeting of the Board of Directors of the Bank held on August 30, 2024. The number of Directors who should attend the meeting is 13, among which 13 Directors attended the meeting in person. The attendance was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association.

With the approval at the 2023 Annual General Meeting held on June 28, 2024, the Bank distributed cash dividends of RMB2.610 (before tax) per ten shares to all the ordinary shareholders whose names appeared on the share register as of July 10, 2024 after the market close, totaling approximately RMB25,881 million (before tax). No capitalization of the capital reserve to share capital is proposed in this profit distribution. The Bank intends to implement the interim dividend distribution for the year of 2024, and the total amount of the interim dividend shall not exceed 30% of the net profit attributable to equity holders of the Bank under the interim consolidated statements for 2024.

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no case in which the Bank provided material guarantees in violation of the prescribed decision-making procedures.

The 2024 interim financial report of the Bank, prepared in accordance with PRC GAAP and IFRSs, has been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with domestic and international review standards respectively.

The Board of Directors of Postal Savings Bank of China Co., Ltd.
August 30, 2024

Mr. Liu Jianjun, Legal Representative of the Bank, Mr. Xu Xueming, Vice President in charge of finance of the Bank, and Ms. Deng Ping, General Manager of Finance and Accounting Department of the Bank, hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements contained in this report.

This report contains forward-looking statements on the Bank's financial position, results of operations and business development. These statements are based on existing plans, estimates and forecasts, and may involve future plans which do not constitute any substantive commitment to investors by the Bank. Hence, investors and persons concerned shall be fully aware of the risks and understand the differences between plans, forecasts and commitments.

During the reporting period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business objectives. The Bank had taken proactive measures to effectively manage all kinds of risks. Please refer to "Discussion and Analysis – Risk Management" for more details.

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

Contents

Columns

Definitions

"Articles of Association"	The Articles of Association of Postal Savings Bank of China Co., Ltd., as amended, supplemented or otherwise modified from time to time
"Bank/PSBC/Postal Savings Bank of China"	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company established in the PRC in accordance with PRC laws, including its predecessors, branches and sub-branches, directly-operated outlets and agency outlets (to the extent of agency outlets' operations, risk management and licenses in relation to agency banking businesses they conduct) and subsidiaries (where the context so requires)
"central bank/PBC"	People's Bank of China
"China Post Group"	China Post Group Corporation Limited, a wholly state-owned company restructured from the former China Post Group Corporation in accordance with the Company Law of the People's Republic of China, is the controlling shareholder of the Bank
"CSRC"	China Securities Regulatory Commission
"Group"	The Bank and its subsidiaries
"HKEX"	Hong Kong Exchanges and Clearing Limited
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards and the related amendments and interpretations issued by the International Accounting Standards Board
"Latest Practicable Date"	September 2, 2024, being the latest practicable date prior to the printing of this report for ascertaining certain information contained herein
"MOF"	Ministry of Finance of the PRC
"NFRA/former CBIRC/former CBRC"	National Financial Regulatory Administration or its predecessors, i.e. the former China Banking and Insurance Regulatory Commission, or the former China Banking Regulatory Commission (where the context so requires)
"new rules on capital management"	Capital Rules for Commercial Banks and other related regulations
"PRC GAAP"	The Accounting Standards for Business Enterprises issued by the MOF on February 15, 2006, and other related regulations issued thereafter
"PSBC Consumer Finance"	PSBC Consumer Finance Co., Ltd.
"PSBC Wealth Management"	PSBC Wealth Management Co., Ltd.
"Sannong"	Agriculture, rural areas and farmers
"SFO"	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"SMEs"	Enterprises classified as micro, small, and medium-sized enterprises under the Classification Standards of Small and Medium Enterprises
"SSE"	Shanghai Stock Exchange
"SSE Listing Rules"	Rules Governing the Listing of Stocks on Shanghai Stock Exchange, as amended, supplemented or otherwise modified from time to time
"YOU+ BANK"	YOU+ BANK, a direct bank subsidiary set up by the Bank

The currency for the amounts included in this report, unless otherwise stated, is Renminbi ("RMB").

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Company Profile

1919 — The postal savings business in China can be traced back to its start in 1919 with a history of over one hundred years.

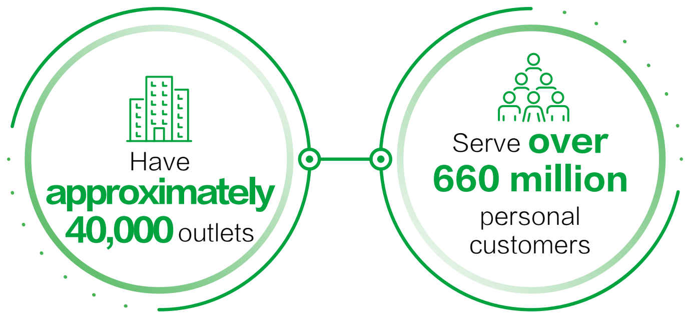
2007 — In March 2007, based on the reform of the previous postal savings management system, Postal Savings Bank of China Limited was officially established.

2012 — The Bank was transformed into a joint stock limited liability company in January 2012.

2016 — The Bank went public and was listed on the Hong Kong Stock Exchange in September 2016.

2019 — The Bank was listed on the SSE in December 2019.

With approximately 40,000 outlets and services covering over 660 million personal customers, the Bank focuses on providing financial services to Sannong customers, urban and rural residents, and SMEs. Relying on its unique model and resource endowment featuring directly-operated outlets and agency outlets, it is committed to providing financial services for the most promising customers during China's economic transformation. In addition, the Bank is accelerating its transformation towards a new retail bank featuring data-driven, channel coordination, interaction between wholesale and retail as well as efficient operation. It has shown superior asset quality and significant development potential, and is a leading major retail bank in China.



The Bank is committed to serving the real economy, actively implementing national strategies, and fulfilling its social responsibilities. It adheres to the customer-centric philosophy and has established a financial service system where online and offline services connect with each other for joint development, providing customers with quality, convenient and efficient integrated financial services. It adheres to the risk-based approach as well as a prudent and sound risk appetite, enhances the leading role of risk management on all fronts, and continuously improves the comprehensive risk management framework featuring "all aspects, whole process and entire staff". It continues to follow the operation philosophy of "gaining a first-mover advantage with market insights", takes bold action in innovation and reform, deepens capacity building, and strives for high-quality development.

Since its establishment 17 years ago, the Bank has been playing an increasingly important role in the market with marked influence. It has been rated A+ and A1 this year by Fitch Ratings and Moody's Investors Service, respectively, which are the same as China's sovereignty credit ratings. It has been rated A, AAAspc and AAA by S&P Global Ratings, S&P Global (China) Ratings and CCXI, respectively. In 2024, it ranked 12th on The Banker's list of "Top 1000 World Banks" in terms of tier 1 capital.

Faced with the new requirements of the new era and new journey for the financial work, the Bank will thoroughly implement the new development philosophy, focus on high-quality development, adhere to the general principle of pursuing progress while ensuring stability, and comprehensively deepen reform and innovation. Committed to fulfilling its economic, political and social responsibilities as a major state-owned bank, the Bank will press ahead with "five priorities" of technology finance, green finance, inclusive finance, pension finance and digital finance, continue to improve the quality and efficiency of serving the real economy and the ability of serving customers, and accelerate the transformation and development towards "uniqueness, comprehensiveness, lightness, digitalization and intensiveness". It will adhere to the "5 plus 1" strategic path[1], move faster to build the five differentiated growth poles in Sannong finance, SME finance, proactive credit extension, wealth management, and financial market business, and make every effort to be a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value.

1 "5 plus 1" strategic path refers to the development of digital finance, eco-finance, coordinated finance, industrial finance and green finance, and end-to-end risk management and compliance.

Strategic Positioning and Corporate Culture

Strategic Vision

Build a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value

Strategic Objectives

Empower high-quality development with financial technology, accelerate transformation of business models, build a smart risk control system and enhance value creation ability to be a leading digital ecology bank serving the rural revitalization and new urbanization

Mission

Deliver accessible financial services in both urban and rural areas

Values

Create value for customers.
Integrity is the cornerstone of our development.
Prudence leads to sustainability.
Employees are our greatest asset.
Excellence comes through professionalism.
Embrace change and keep innovating.

Company Spirit

Be responsible, resilient and caring

Brand Premise

Together we make it better

Company Philosophies

Management philosophy: Keep it simple and reduce administrative burden.

Business philosophy: Gain a first-mover advantage with market insights.

Risk philosophy: Prudence and compliance lead to stability, and risk control is the key to sustainable development.

Service philosophy: Pour our heart and soul for customer satisfaction.

Talent philosophy: Respect the value of employees, tap their potential, and bring them closer to their dreams.

Coordination philosophy: See the bigger picture, act with one mind, and make progress toward a shared future.

Corporate Information

Legal name in Chinese	中國郵政儲蓄銀行股份有限公司(“中國郵政儲蓄銀行”)
Legal name in English	POSTAL SAVINGS BANK OF CHINA CO., LTD. (“PSBC”)
Legal representative	Liu Jianjun (acting on behalf)
President	Liu Jianjun
Authorized representatives	Yao Hong, Du Chunye
Secretary to the Board of Directors	Du Chunye Address: No. 3 Financial Street, Xicheng District, Beijing Telephone: 86-10-68858158 Fax: 86-10-68858165 E-mail: psbc.ir@psbcoa.com.cn
Registered address and place of business	No. 3 Financial Street, Xicheng District, Beijing
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wan Chai, Hong Kong
Contacts for investors	Postal code: 100808 Telephone: 86-10-68858158 Fax: 86-10-68858165 E-mail: psbc.ir@psbcoa.com.cn Websites: www.psbcltd.cn, www.psbc.com
Hotline for customer services and complaints	86-95580
Information disclosure media	China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com), Securities Times (www.stcn.com), Securities Daily (www.zqrb.cn)
Interim report available at	Office of the Board of Directors of the Bank No. 3 Financial Street, Xicheng District, Beijing
Unified social credit code	9111000071093465XC
A share listing place, stock name, stock code and website for report publication	Stock exchange on which shares are listed: Shanghai Stock Exchange Stock name: 郵儲銀行 Stock code: 601658 Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch 188 Yanggao South Road, Pudong New Area, Shanghai Website of Shanghai Stock Exchange for report publication: www.sse.com.cn

Corporate Information

H share listing place, stock name, stock code and website for report publication	Stock exchange on which shares are listed: The Stock Exchange of Hong Kong Limited Stock name: PSBC Stock code: 1658 Share Registrar: Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong Website of Hong Kong Stock Exchange for report publication: www.hkexnews.hk
Legal advisor as to laws of the Chinese mainland	Haiwen & Partners
Legal advisor as to laws of Hong Kong, PRC	Clifford Chance LLP

* Postal Savings Bank of China Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

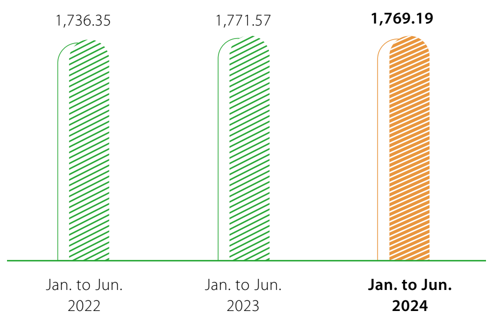
Financial Highlights

The financial data and indicators in this report have been prepared in accordance with the IFRSs. Unless otherwise specified, they are consolidated data of the Bank and its subsidiaries and denominated in Renminbi.

Operating income

(In RMB100 million)

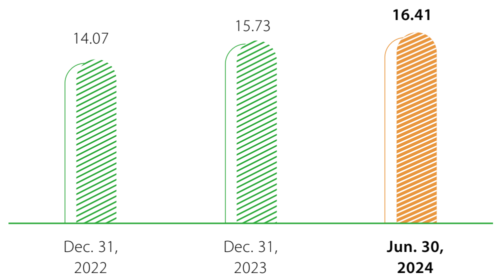
Year-on-year decrease
0.13%



Total assets

(In RMB trillion)

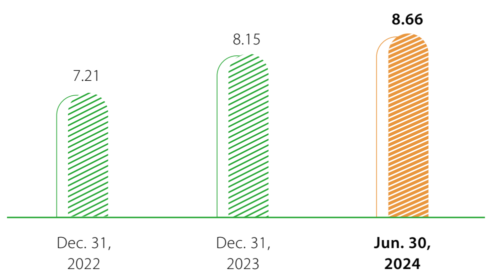
Increase from prior year-end
4.37%



Total loans to customers

(In RMB trillion)

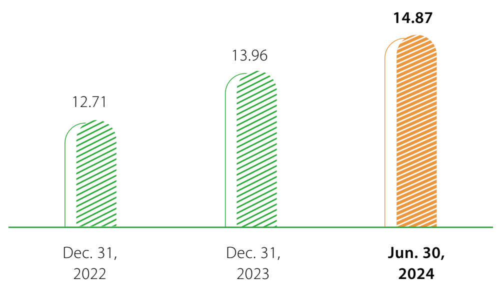
Increase from prior year-end
6.26%



Customer deposits

(In RMB trillion)

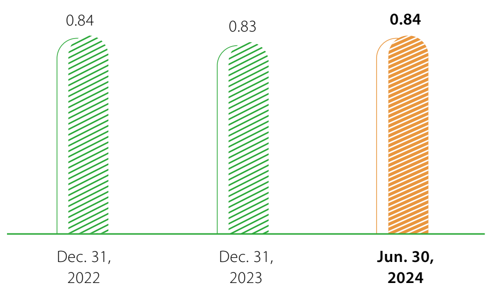
Increase from prior year-end
6.51%



Non-performing loan ratio

(%)

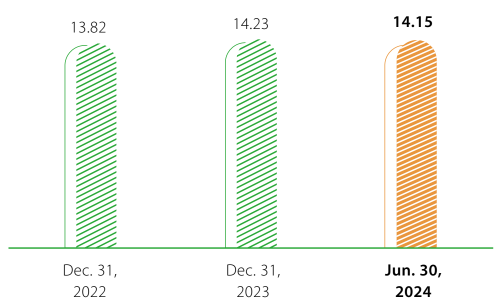
Increase from prior year-end
0.01 percentage point



Capital adequacy ratio

(%)

Decrease from prior year-end
0.08 percentage point



Financial Highlights

Key Financial Data

In RMB million, unless otherwise stated

Item	For the six months ended June 30, 2024	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Operating results			
Operating income	176,919	177,157	173,635
Net interest income	142,876	140,305	137,117
Net fee and commission income	15,161	18,203	17,880
Operating expenses	107,372	103,109	93,834
Credit impairment losses	16,120	19,316	27,099
Profit before income tax	53,414	54,731	52,693
Net profit	48,885	49,638	47,170
Net profit attributable to equity holders of the Bank	48,815	49,564	47,114
Net cash flows generated from operating activities	130,932	83,497	146,914
Per share data (in RMB Yuan)			
Basic and diluted earnings per share[1]	0.44	0.46	0.44

Note (1): Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC. There are no potential diluted ordinary shares of the Bank, so the diluted earnings per share is the same as the basic earnings per share. The impact of other equity instruments is excluded in the calculation of relevant indicators.

In RMB million, unless otherwise stated

Item[1]	June 30, 2024	December 31, 2023	December 31, 2022
Data as at the end of the reporting period			
Total assets	16,413,529	15,726,631	14,067,282
Total loans to customers[2]	8,658,762	8,148,893	7,210,433
Allowance for impairment losses on loans to customers[3]	234,216	233,648	232,723
Loans to customers, net	8,424,546	7,915,245	6,977,710
Financial investments[4]	5,663,484	5,387,588	4,958,899
Cash and deposits with central bank	1,308,757	1,337,501	1,263,951
Total liabilities	15,406,730	14,770,015	13,241,468
Customer deposits[2]	14,865,060	13,955,963	12,714,485
Equity attributable to equity holders of the Bank	1,004,986	954,873	824,225
Net capital[5]	1,219,300	1,165,404	1,003,987
Core tier 1 capital – net[5]	799,366	780,106	679,887
Additional tier 1 capital – net[5]	200,132	170,152	140,126
Risk-weighted assets[5]	8,613,974	8,187,064	7,266,134
Per share data (in RMB Yuan)			
Net assets per share[6]	8.12	7.92	7.41

Note (1): In accordance with the relevant regulations under the Notice on Amending the Format of Financial Statements for Financial Enterprises in 2018 (Cai Kuai [2018] No. 36) issued by the MOF, from 2018 onward, the interest on corresponding assets and liabilities is included in the balance of carrying amounts of the financial instruments accordingly, and should no longer be accounted for as separate items of "interest receivable" or "interest payable". The balance of "interest receivable" or "interest payable" listed under "other assets" or "other liabilities" is only interest receivable or interest payable on relevant matured financial instruments but not received nor paid on the balance sheet date.

Note (2): For ease of reference, "loans to customers" refers to "loans and advances to customers" and "customer deposits" refers to "deposits from customers" in this report.

Note (3): Allowance for impairment losses on loans to customers measured at amortized cost.

Note (4): Consists of financial assets measured at fair value through profit or loss, debt instruments measured at fair value through other comprehensive income, equity instruments measured at fair value through other comprehensive income, and financial assets measured at amortized cost.

Note (5): Calculated in accordance with the Rules on Capital Management of Commercial Banks starting from 2024, while the comparison period data of previous years was calculated in accordance with the Rules on Capital Management of Commercial Banks (Provisional).

Note (6): Calculated by dividing equity attributable to ordinary shareholders of the Bank at the end of the period by the total number of ordinary shares at the end of the period.

Financial Highlights

Financial Indicators

Item	For the six months ended June 30, 2024	For the six months ended June 30, 2023	For the six months ended June 30, 2022
Profitability (%)			
Return on average total assets(1)(2)	0.61	0.69	0.73
Return on weighted average equity(1)(3)	11.43	12.86	13.35
Net interest margin(1)(4)	1.91	2.08	2.27
Net interest spread(1)(5)	1.89	2.06	2.24
Net fee and commission income to operating income ratio	8.57	10.28	10.30
Cost-to-income ratio(6)	59.95	57.36	53.24

Note (1): On an annualized basis.
Note (2): Calculated by dividing net profit by the average of total assets at the beginning and at the end of the reporting period.
Note (3): Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC. The impact of other equity instruments is excluded in the calculation of relevant indicators.
Note (4): Calculated by dividing net interest income by the average balance of interest-earning assets.
Note (5): Calculated by the spread between yield on average balance of interest-earning assets and cost on average balance of interest-bearing liabilities.
Note (6): Calculated by dividing operating expenses (less taxes and surcharges) by operating income.

Item	June 30, 2024	December 31, 2023	December 31, 2022
Asset quality (%)			
Non-performing loan ratio(1)	0.84	0.83	0.84
Allowance to NPLs ratio(2)	325.61	347.57	385.51
Allowance to loans ratio(3)	2.72	2.88	3.26
Capital adequacy ratio (%)(4)			
Core tier 1 capital adequacy ratio(5)	9.28	9.53	9.36
Tier 1 capital adequacy ratio(6)	11.60	11.61	11.29
Capital adequacy ratio(7)	14.15	14.23	13.82
Risk-weighted assets to total assets ratio(8)	52.48	52.06	51.65
Total equity to total assets ratio	6.13	6.08	5.87

Note (1): Calculated by dividing the total NPLs by total loans to customers, and the total loans exclude the accrued interest.
Note (2): Calculated by dividing total allowance for impairment losses on loans to customers by total NPLs. Total allowance for impairment losses on loans to customers includes allowance for impairment losses on loans to customers measured at amortized cost and allowance for impairment losses on loans to customers measured at fair value through other comprehensive income.
Note (3): Calculated by dividing total allowance for impairment losses on loans to customers by total loans to customers. The total loans exclude the accrued interest.
Note (4): Calculated in accordance with the Rules on Capital Management of Commercial Banks starting from 2024, while the comparison period data of previous years was calculated in accordance with the Rules on Capital Management of Commercial Banks (Provisional).
Note (5): Calculated by dividing core tier 1 capital (net of core tier 1 capital deductions) by risk-weighted assets.
Note (6): Calculated by dividing tier 1 capital (net of tier 1 capital deductions) by risk-weighted assets.
Note (7): Calculated by dividing total capital (net of capital deductions) by risk-weighted assets.
Note (8): Calculated by dividing risk-weighted assets by total assets.

Other Major Indicators

Item		Regulatory criteria	June 30, 2024	December 31, 2023	December 31, 2022
Liquidity ratio (%)[1]	RMB and foreign currency	≥25	97.67	83.39	73.87
Percentage of loans to largest single borrower (%)[2]		≤10	10.66	13.34	16.50
Percentage of loans to the ten largest borrowers (%)			20.35	23.14	27.14
Loan migration ratio (%)	Normal		0.63	0.95	0.89
	Special mention		20.35	32.73	29.22
	Substandard		74.16	50.99	44.76
	Doubtful		70.99	72.59	53.41

Note (1): Calculated by dividing current assets by current liabilities.

Note (2): Percentage of loans to the largest single borrower = balance of loans to the largest borrower/net capital x 100%. The largest borrower refers to the borrower with the highest balance of loans at the period end. As at the end of the reporting period, China State Railway Group Co., Ltd. was the Bank's largest single borrower. The outstanding loan balance with China State Railway Group Co., Ltd. was RMB130,024 million, accounting for 10.66% of the Bank's net capital. The credit line the Bank extended to China State Railway Group Co., Ltd. includes the legacy credit line of RMB240.0 billion which was approved by the relevant regulatory authorities. As at the end of the reporting period, the outstanding loan balance under such credit line for China State Railway Group Co., Ltd. was RMB114.5 billion. After deduction of this RMB114.5 billion, the Bank's balance of loans to China State Railway Group Co., Ltd. accounted for 1.27% of the Bank's net capital.

Credit Ratings

Rating Agency	June 30, 2024	2023	2022
S&P Global Ratings	A (Stable)	A (Stable)	A (Stable)
Moody's Investors Service	A1 (Negative)	A1 (Negative)	A1 (Stable)
Fitch Ratings	A+ (Negative)	A+ (Stable)	A+ (Stable)
S&P Global (China) Ratings	AAAspc (Stable)	AAAspc (Stable)	AAAspc (Stable)
CCXI	AAA (Stable)	AAA (Stable)	AAA (Stable)

Overview of Operations

This year marks the 75th anniversary of the founding of the People's Republic of China. The Bank followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly studied and implemented the guiding principles from the 20th National Congress of the Communist Party of China (CPC) and the plenary sessions of the CPC Central Committee, and put in place the plans and requirements set out at the Central Economic Work Conference and the Central Financial Work Conference. The Bank adhered to its main responsibilities and businesses, and took solid steps to ensure rectification of findings of the central discipline inspection. In the course of providing services for economic and social high-quality development, the Bank stayed committed to steady progress for the long term, comprehensively deepened reform and innovation, and advanced the differentiated development strategy at a faster pace. The Bank followed the "5 plus 1" strategic path, focused on the development of major capabilities in six aspects[1], put forth efforts to build five differentiated growth poles[2], comprehensively strengthened refined management, accumulated internal development momentum, and solidified the foundation for long-term development.

The Bank focused on the development objectives and tasks for the year, comprehensively strengthened coordinated management of business operations, achieved an effective balance among scale growth, structural optimization, stability of earnings, and risk prevention and control, and maintained momentum for steady growth. Firstly, profitability remained stable. During the reporting period, the Bank actively dealt with the impacts of policies such as cuts in LPR, decrease in interest rates on existing mortgages as well as the requirement on "reporting and execution consistency", and realized operating income of RMB176,919 million, slightly down by 0.13% year on year, remaining basically stable. Specifically, net interest income and net other non-interest income grew by 1.83% and 1.25%, respectively. **Secondly, the Bank achieved a balance among scale, price and risks as well as structural optimization of its assets and liabilities.** On the asset side, the Bank built a high-frequency dynamic management framework with RAROC (risk-adjusted return on capital) as the yardstick. While maintaining moderate growth of business scale, the Bank focused on structural adjustment and continuously improved the efficiency of asset allocation. In terms of credit business, the Bank continued to promote differentiated development with a focus on the balance among scale, price and risks. The percentage of total loans in total assets rose by 0.93 percentage point over the prior year-end. The micro loans for Sannong customers and loans to micro and small-sized enterprises (MSEs) maintained rapid growth, with their increment taking up 47.44% in the increment of all types of loans. In terms of non-credit business, the Bank strengthened the role of investment research as guidance, continuously optimized the multi-scenario price comparison model, and realized efficient fund utilization. On the liability side, the Bank upheld the development principle of coordinating quantity and price, dynamically optimized the development strategy for value deposits, promoted conversion between deposits and AUM (assets under management for individual customers), and consolidated existing advantages of low-cost liabilities. In the first half of the year, the average cost of interest-bearing liabilities was 1.51%, down by 6 bps year on year. Through meticulous management on both asset and liability sides, the interest margin remained stable and the net interest margin was 1.91%, down by 1 bp from the first quarter, continuing to remain at an excellent level among major state-owned banks. **Thirdly, risk control was precise and effective.** The Bank always adheres to a prudent and sound

1 "Major capabilities in six aspects" refer to core business, system support, coordination and integration, technological facilitation, institutional drive and innovation leadership.

2 Five differentiated growth poles refer to growth poles in Sannong finance, SME finance, proactive credit extension, wealth management, and financial market business.

risk appetite, and has gradually established a precise, timely and comprehensive intelligent risk control system to focus on enhancing its risk control capability under the new situation. The Bank intensified risk prevention and control in key areas and carried out the "Year of Sunshine Credit 2024" campaign. As at the end of the reporting period, the Bank's NPL ratio stood at 0.84% and asset quality maintained stable. The allowance to NPLs ratio was 325.61%, indicating adequate risk offsetting capabilities. **Fourthly, market influence was further enhanced.** The Bank continued to improve corporate governance, enhanced market recognition through credible information disclosure and good investor relations, and propelled the realization of long-term value. It ranked 12th in The Banker's list of "Top 1000 World Banks 2024" in terms of tier 1 capital, and its ratings by the three major international rating agencies maintained the best among domestic commercial banks.

Based on its resource endowments and advantages, the Bank realized development with its own characteristics in terms of the "five priorities", i.e. technology finance, green finance, inclusive finance, pension finance and digital finance, shouldered its responsibility as a main force in serving the real economy, and worked faster to shape new development strengths. Firstly, the Bank built inclusive finance into its biggest feature and most prominent advantage. Centering around the goal of building itself into a main force for rural revitalization and a comprehensive service provider of inclusive finance, the Bank further advanced the development of a long-term mechanism for inclusive finance, and put forth effort to improve the quality and effectiveness of services for Sannong and MSE customers. As at the end of the reporting period, the balance of agriculture-related loans recorded RMB2.22 trillion and the balance of inclusive loans to MSEs recorded RMB1.59 trillion. The percentages of both loans in loans to customers were in the forefront of major state-owned banks. **Secondly, the Bank aimed to become an emerging force in technology finance.** With a focus on the all-round financial needs of sci-tech enterprises, the Bank developed a multi-tiered service organizational system for technology finance that comprises specialized institutions (Technology Finance Department), featured institutions (featured sub-branches/ outlets) and demonstration institutions (flagship outlets). It also established a system for evaluating the innovation capacity of sci-tech enterprises, further enriched the "future-oriented" review and analysis method, and focused on serving "high-growth" sci-tech enterprises with strong technology strength and great growth potential. The Bank served nearly 80 thousand sci-tech enterprises, with a balance of financing of over RMB400 billion, a year-on-year increase of over 40%. **Thirdly, the Bank aimed to build a digital ecosystem-based bank.** The Bank accelerated deep integration of business and technology, and formed a new multi-dimensional customer service model that connects dots to form lines and weaves a network with lines, building the support for transformation. The Bank created an innovative digital finance index "I-Super"[1], comprehensively and scientifically quantifying the quality and effectiveness of digital transformation. The Bank put into operation the next-generation corporate banking core system, and with that, the independently developed systems of the Bank took up 76.86%, up by 17 percentage points year on year. **Fourthly, the Bank put green finance into action.** The Bank refined resource allocation, set up "green" channels for review and approval, enhanced support for parallel operations, and promoted the development of green finance businesses. The Bank developed new financial products and services, launched several sustainability-linked financial businesses, and completed carbon accounting for 5,552 enterprises in total. The Bank made innovation in institutions and mechanisms and set up a total of 35 green financial institutions including carbon-neutral sub-branches, green

1 The digital finance index "I-Super" is composed of various indicators in six major digitalization areas, i.e. Infrastructure, Supervision, User-service, Product, Ecosystem and Risk, and it quantifies the effectiveness of the Bank's digital transformation in an intuitive and comprehensive manner using an index form.

sub-branches and green finance centers. The Bank's balance of green loans stood at RMB693,099 million, an increase of 8.66% over the prior year; the growth rate was higher than the average level of all types of loans for many years straight. **Fifthly, the Bank aimed to develop a differentiated advantage in pension finance.** The Bank made overall planning for developing pension finance business, further consolidated the foundation for developing pension finance, launched the personal pension service brand "U Enjoy Future", and improved the personal pension product and service system. The Bank focused on the entire industry chain and leveraged GBC collaboration[1] to build a service scenario for pension finance and a financial ecosystem for the silver economy, which facilitated the development of intelligent and healthy pension finance service with the empowerment of technology.

The Bank promoted refined management in depth, continuously strove for efficient management and optimal results, and strengthened new underpinnings for development. Firstly, resource allocation was further refined. The Bank meticulously managed financial resources, strictly implemented the requirement of tightening the belts, and promoted refined control of costs across the board. Putting efficiency first in human resources, the Bank strengthened the development of the cadres and professional workforce in compliance with the standards on officials, namely officials must be politically upright, competent and strictly disciplined in conduct, comprehensively rolled out the institution and personnel optimization in tier-two branches, optimized the allocation of human resources, and improved the input-output efficiency of human resources across the Bank. The Bank carried out lean management and coordination of capital resources, improved the efficiency of capital allocation, revitalized the inefficient use of capital, promoted capital-intensive development, and conducted basic governance of risk exposure, ensuring that the capital adequacy ratios continuously met regulatory requirements. **Secondly, risk management was further refined.** The Bank moved faster to advance digital and intensive transformation of risk management, and took steady steps to see that the implementation of advanced approaches complies with requirements and meets standards. The "future-oriented" credit review capability was strengthened. In the first half of 2024, the Bank reviewed and approved 7,520 clients using the "future-oriented" technology, an increase of 114.00%, with approval amounts of RMB654,097 million, an increase of 169.14%. The Bank continued to enhance core capabilities throughout the entire process, covering "list mining, marketing outreach, product design, risk management, and post-lending management". The list of customers eligible for proactive credit extension exceeded 120 million; the balance of loans granted through proactive credit extension surpassed RMB240 billion; and the NPL ratio was kept within 0.5%. In terms of asset preservation, the Bank strengthened capacity and improved efficiency. It carried out special collection activities and worked to raise the value contribution by preservation in various respects. **Thirdly, the operation model became more intensive.** The Bank centralized the review and approval of micro loan business of 35 branches to tier-1 branches, launched the centralized review and approval in the Head Office, and promoted remote video-based post-lending service, reducing manpower for review and approval by approximately 40%, and cutting down the handling time per transaction with video-based post-lending service by about 90% compared to that of on-site post-lending service. For consumer loan business, the review and approval of all consumer loan types of 10 provincial branches were centralized in the Head Office.

1 GBC collaboration refers to creating a full-chain closed-loop marketing mechanism serving G end (government), B end (enterprise), and C end (individual customer) through collaboration.

The Bank improved the quality and efficiency of services provided by self-service equipment and mobile business terminals by accelerating the application of the "cloud counter" service model. As at the end of the reporting period, a total of 8,127 pieces of self-service equipment and 9,360 mobile business terminals were connected to the "cloud counter" service model. During the reporting period, "cloud counter" delivered services for 4.45 million customer visits.

Firmly upholding the philosophy of taking a customer-centric approach, the Bank continued to enhance customer operation and service capabilities and vigorously cultivated loyal customers so as to lay a solid foundation for sustainable development. The Bank continuously improved online and offline service experience and strengthened multi-channel coordinated customer service capability. Regarding offline channels, the Bank accelerated the transformation of outlets into marketing service centers and continued to refine the outlet layout. It has completed refurbishment of more than 5,200 outlets. Meanwhile, it deepened the building of the brand "PSBC Care Station". So far, it has opened 5,638 "PSBC Care Stations" to the public. Regarding online channels, the Bank focused on building personal mobile banking into a major platform for customer interaction and operation, and launched a brand new applet "PSBC Enterprise Assistant" and the WeChat corporate banking service channel, which support nearly 30 "finance plus scenario" light and convenient services, so as to build an integrated customer reach and financial service platform at the mobile end. **The Bank further tapped into its existing retail customer base with improved services.** The Bank continued to develop the differentiated growth pole of wealth management. Retail VIP customers[1] reached 55,003.7 thousand, an increase of 6.84% over the prior year-end; and Fujia customers and above recorded 5,624.5 thousand, an increase of 13.34% over the prior year-end. **The Bank expanded corporate banking customers and improved service efficiency.** New achievements were made in the development of a new "1 plus N" operation and service system[2]; the tiered and categorized customer service system was further refined; and "SPREAD"[3] digital and intelligent closed-loop marketing tools were developed. During the reporting period, the number of corporate customers increased by 160.1 thousand, and that of corporate customers with the Bank acting as the primary bank increased by 48.08% over the prior year-end. The finance product aggregate (FPA) totaled RMB5.16 trillion, an increase of RMB0.48 trillion or 10.26% over the prior year-end. **The value of the interbank customers became prominent.** The Bank continued to develop the interbank ecosystem. The number of customers registered with PSBC "Together We Thrive" interbank business platform exceeded 2,400, the number of its interbank customers exceeded 3,300, and the cumulative transaction volume surpassed RMB3.5 trillion.

In the next step, the Bank will closely center around the major decisions and plans of the CPC Central Committee and thoroughly study and implement the guiding principles from the Third Plenary Session of the 20th CPC Central Committee. The Bank will stay true to its fundamental purpose of serving the real economy with financial services, adhere to the strategy of becoming a first-class large retail bank, and put into practice longtermism and the concept of sustainable development. The Bank will fully leverage its endowments and advantages, enhance capabilities, strengthen management, seek innovation, make concerted and sustained efforts to enhance its competitiveness and strength, and contribute PSBC strength to accelerate the building of a financial powerhouse.

1 The Bank regards customers with assets of RMB100 thousand and above as VIP customers, customers with assets of RMB500 thousand and above as Fujia customers, and customers with assets of RMB6 million and above as Dingfu customers.

2 The new "1 plus N" operation and service system refers to the marketing supporting service system that reforms the operation mechanism and integrates front office, middle office and back office from six dimensions, namely customers, products, collaboration, services, risks, and technology.

3 "SPREAD" refers to the digital and intelligent process of SELECT (selecting target customers), PLAN (formulating a marketing plan), RELOCATE (relocating business opportunities), EXECUTE (executing business opportunities and giving feedback), ASSESS (assessing service quality and efficiency) and DEVELOP (continuing to develop customers in depth).

Discussion and Analysis

Scan to watch the Bank's brand image promotional video "Green World, Better Life"


100%
50%
100%
50%
15%
25%
75%
100%

Environment and Prospect

In the first half of 2024, the global economy continued to show an overall trend of recovery, yet with increasing divergence in growth. Inflation pressure in developed economies generally eased, but inflation was still sticky. Global trade and investment growth faced uncertainties as geopolitical risks rose and demand declined. While major developed economies such as the United States and Europe continued to postpone monetary policy shift, emerging economies remained under the pressure of currency depreciation. The global banking industry was under greater operating pressure, with slowing growth in scale, declining profitability sustainability and higher risk of asset deterioration.

The Chinese economy saw increased positive factors, stronger growth momentum, improved social expectations, and solid progress in pursuing high-quality development. The economy achieved a good start, featuring relatively rapid growth, a better structure, and improved quality and efficiency. The proactive fiscal policy was moderately strengthened, with quality and effectiveness improved, and monetary policy remained prudent, creating a sound monetary and financial environment for economic recovery. Monetary credit and aggregate financing to the real economy achieved reasonable growth, overall financing costs remained stable and saw a moderate decline, the credit structure was further improved, and the RMB exchange rate remained generally stable at an adaptive and equilibrium level. The Chinese banking industry maintained generally stable operation. The assets grew steadily, the ability to serve the real economy was continuously strengthened, the asset quality remained basically stable, and the overall risk offsetting capacity was sufficient.

Looking ahead into the second half of 2024, under the constraint of high interest rates and high debts, the global economy will still face uncertainties in recovery. Economic and trade frictions are likely to increase, and major developed economies will gradually shift their monetary policies. Continuous attention should be paid to financial risks. China's economy has a stable foundation, many strengths, strong resilience and great growth potential and the underlying trend of long-term growth remains unchanged. Even though the favorable conditions outweigh unfavorable ones, China's economy still faces certain challenges. China will continue to adhere to the general principle of seeking progress while maintaining stability, fully and faithfully apply the new development philosophy on all fronts, move faster to create a new pattern of development, promote high-quality development, and take solid steps to consolidate and strengthen the economic recovery and growth momentum. China will implement a prudent monetary policy in a flexible, appropriate, targeted, and effective way, intensify counter-cyclical and cross-cyclical adjustments, flexibly use policy instruments such as interest rates and the required reserve ratio, enhance support for the real economy, and lower overall financing costs. The banking industry will continue to improve the quality and effectiveness of financial services for the real economy, maintain reasonable growth in credit scale, continue to increase support for key areas and weak links such as inclusive finance, sci-tech innovation and green development, and see that no systemic financial risks arise.

In the second half of the year, the Bank will unswervingly follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and fully implement the guiding principles from the 20th National Congress of the CPC and the Third Plenary Session of the 20th CPC Central Committee. The Bank will, with capability building as the foundation, innovation and reform as the driving force, and refined management as the guarantee, further deepen reform comprehensively, accelerate development, work faster to build a first-tier large retail bank, and contribute to Chinese modernization.

Firstly, the Bank will take solid steps to develop "five priorities" of technology finance, green finance, inclusive finance, pension finance and digital finance and fulfill its responsibilities. Upholding its positioning of serving Sannong customers, urban and rural residents and SMEs, the Bank will vigorously support rural revitalization, build inclusive finance into its biggest feature and most prominent advantage, and become a main force for serving rural revitalization and a comprehensive service provider of inclusive finance. In terms of technology finance, the Bank will develop quality and featured services and put forth effort to become an emerging force in technology finance. The Bank will accelerate the development of a diversified green finance product system and build a distinctive brand of pension finance services. The Bank will spare no effort to build a strong foundation for digital finance and become a leading digital ecosystem-based bank.

Secondly, the Bank will optimize its business structure and highlight balanced development. On the asset side, the Bank will adhere to the “pricing improvement in five aspects” (product, management, comprehensive income, brand image and service quality, and risk management). On the liability side, the Bank will adhere to the development mechanism with “value deposits” as its core, continue to refine the asset-liability structure, raise the proportions of high-yield assets and low-cost liabilities, and consolidate the advantages in interest margin. The Bank will make great efforts to expand the scale of wealth management, consumption business and corporate settlement, etc., explore additional income sources from intermediary business, solidify intermediary income from retail banking business, increase the contributions of intermediary income from corporate banking business and treasury business, and fully promote the growth of intermediary income.

Thirdly, the Bank will deepen digital transformation and enhance momentum for development. The Bank will take solid steps to advance the IT plan during the 14th Five-year Plan period, continue to enhance data modeling capability, and promote application of innovative technologies. The Bank will steadily advance data governance, tap into the value of data assets, and make data application more intelligent, thus providing precise support for customer operation, business marketing, risk prevention and control, operation management, etc.

Fourthly, the Bank will strengthen risk management and ensure that no systemic risks arise. The Bank will accelerate efforts to meet the compliance requirements and standards on advanced approaches for capital management and promote the implementation of advanced approaches for capital management. The Bank will continue to enhance the “future-oriented” technological capability and fully employ big data and intelligent risk control to effectively support business development. The Bank will strictly control increase in non-performing assets and spare no effort to improve the effectiveness of collection and improve the value contribution of disposal of non-performing assets. The Bank will strengthen its internal control and case prevention management capability, intensify compliance management, and take solid steps to safeguard consumers’ rights and interests.

Analysis of Financial Statements

During the reporting period, the Bank stayed committed to the general principle of pursuing progress while ensuring stability, focused on the vision of building a first-tier large retail bank, centered on improving capabilities, fostering innovation and strengthening management, coordinated the advancement of the "five priorities", accelerated the development of five differentiated growth poles, and maintained healthy and stable development momentum.

Firstly, the scale of business achieved steady growth. The Bank relied on resource endowment to offer targeted services to real economy. As at the end of the reporting period, total assets exceeded RMB16 trillion to reach RMB16.41 trillion, an increase of 4.37% over the prior year-end, of which total loans to customers amounted to RMB8.66 trillion, an increase of 6.26% over the prior year-end. Total liabilities reached RMB15.41 trillion, an increase of 4.31% over the prior year-end, of which customer deposits reached RMB14.87 trillion, an increase of 6.51% over the prior year-end.

Secondly, operating income remained stable. The Bank made overall planning of the total volume, structure and profitability, enhanced proactive management of interest margin, optimized the allocation of non-interest assets and strived to improve comprehensive income. During the reporting period, the operating income amounted to RMB176,919 million, a slight decrease of 0.13% compared with the same period of the prior year, of which the net interest income was RMB142,876 million, an increase of 1.83% compared with the same period of the prior year, and the net interest margin was 1.91%, which remained at a relatively good level in the industry. Net other non-interest income amounted to RMB18,882 million, an increase of 1.25% compared with the same period of the prior year. The contribution from non-interest income was stable.

Thirdly, asset quality remained stable. The Bank coordinated development and security, adhered to sound and prudent operations, deepened the transformation towards digital and intensive risk management, continued to improve its comprehensive risk management framework featuring "all aspects, whole process, and entire staff", prioritized the prevention and control of risks in key areas, stepped up efforts to collect and dispose of NPA (non-performing assets), and effectively prevented and mitigated financial risks. As at the end of the reporting period, the non-performing loan ratio was 0.84% and allowance to NPLs ratio was 325.61%, which stood at a relatively good level in the industry.

Analysis of Income Statement

During the reporting period, the Bank recorded a net profit of RMB48,885 million, representing a year-on-year decrease of RMB753 million or 1.52%.

Changes of Key Items in the Income Statement

In RMB million, except for percentages

Item	For the six months ended June 30, 2024	For the six months ended June 30, 2023	Increase/ (decrease)	Change (%)
Net interest income	142,876	140,305	2,571	1.83
Net fee and commission income	15,161	18,203	(3,042)	(16.71)
Net other non-interest income	18,882	18,649	233	1.25
Operating income	176,919	177,157	(238)	(0.13)
Less: Operating expenses	107,372	103,109	4,263	4.13
Credit impairment losses	16,120	19,316	(3,196)	(16.55)
Impairment losses on other assets	13	1	12	1,200.00
Profit before income tax	53,414	54,731	(1,317)	(2.41)
Less: Income tax expenses	4,529	5,093	(564)	(11.07)
Net profit	48,885	49,638	(753)	(1.52)
Net profit attributable to equity holders of the Bank	48,815	49,564	(749)	(1.51)
Net profit attributable to non-controlling interests	70	74	(4)	(5.41)
Other comprehensive income	2,498	1,149	1,349	117.41
Total comprehensive income	51,383	50,787	596	1.17

Net Interest Income

The Bank endeavored to improve the efficiency of asset and liability allocation, enhanced refined management of pricing, and promoted a balance among the scale, structure and profitability. During the reporting period, the net interest income was RMB142,876 million, representing an increase of RMB2,571 million, or 1.83% compared with the same period of the prior year, of which an increase of RMB14,547 million in net interest income was driven by the scale expansion, and a decrease of RMB11,976 million in net interest income was brought by the changes in interest rates. Net interest margin and net interest spread were 1.91% and 1.89%, respectively.

Average Yield of Interest-Earning Assets and Average Cost of Interest-Bearing Liabilities

In RMB million, except for percentages

Item	For the six months ended June 30, 2024			For the six months ended June 30, 2023		
	Average balance	Interest income/ expense	Average yield/ cost (%)(1)	Average balance	Interest income/ expense	Average yield/ cost (%)(1)
Assets						
Total loans to customers	8,448,956	163,260	3.89	7,520,403	158,110	4.24
Investments(2)	4,528,131	70,231	3.12	4,188,246	67,762	3.26
Deposits with central bank(3)	1,249,499	10,093	1.62	1,229,824	9,910	1.62
Deposits and placements with banks and other financial institutions(4)	831,026	11,099	2.69	694,472	9,528	2.77
Total interest-earning assets	15,057,612	254,683	3.40	13,632,945	245,310	3.63
Allowance for impairment losses on assets	(264,649)	–	–	(268,333)	–	–
Non-interest-earning assets(5)	1,359,931	–	–	1,238,921	–	–
Total assets	16,152,894	–	–	14,603,533	–	–
Liabilities						
Customer deposits	14,395,342	105,820	1.48	13,002,817	99,612	1.54
Deposits and placements from banks and other financial institutions(6)	278,309	2,842	2.05	280,061	2,728	1.96
Debt securities issued(7)	185,772	2,877	3.11	159,465	2,414	3.05
Borrowings from central bank	30,556	268	1.76	27,579	251	1.84
Total interest-bearing liabilities	14,889,979	111,807	1.51	13,469,922	105,005	1.57
Non-interest-bearing liabilities(8)	238,610	–	–	231,103	–	–
Total liabilities	15,128,589	–	–	13,701,025	–	–
Net interest income	–	142,876	–	–	140,305	–
Net interest spread(9)	–	–	1.89	–	–	2.06
Net interest margin(10)	–	–	1.91	–	–	2.08

Note (1): On an annualized basis.

Note (2): Consists of interest-earning assets in financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost.

Note (3): Consists of statutory deposit reserves and surplus deposit reserves.

Note (4): Consists of deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements.

Note (5): Consists of financial assets measured at fair value through profit or loss, cash, property and equipment, deferred tax assets, etc.

Note (6): Consists of deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

Note (7): Consists of qualified tier 2 capital instruments issued and interbank certificates of deposit.

Note (8): Consists of employee benefits payable, provisions, lease liabilities, etc.

Note (9): Calculated as the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.

Note (10): Calculated by dividing net interest income by the average balance of total interest-earning assets.

Changes in Net Interest Income Due to Changes in Volume and Interest Rate

In RMB million

	The six months ended June 30, 2024 vs the six months ended June 30, 2023		
	Increase/(decrease)		
Item	Volume[1]	Interest rate[2]	Total[3]
Assets			
Total loans to customers	17,943	(12,793)	5,150
Investments	5,272	(2,803)	2,469
Deposits with central bank	159	24	183
Deposits and placements with banks and other financial institutions	1,824	(253)	1,571
Total changes in interest income	25,198	(15,825)	9,373
Liabilities			
Customer deposits	10,236	(4,028)	6,208
Deposits and placements from banks and other financial institutions	(18)	132	114
Debt securities issued	407	56	463
Borrowings from central bank	26	(9)	17
Total changes in interest expense	10,651	(3,849)	6,802
Changes in net interest income	14,547	(11,976)	2,571

Note (1): Represents the difference between the average balance for the current period and the average balance for the previous period, multiplied by the average yield/cost for the current period.

Note (2): Represents the difference between the average yield/cost for the current period and the average yield/cost for the previous period, multiplied by the average balance for the previous period.

Note (3): Represents the difference between the interest income/expense for the current period and the interest income/expense for the previous period.

Analysis of Financial Statements

Interest Income

During the reporting period, the Bank realized interest income of RMB254,683 million, representing an increase of RMB9,373 million, or 3.82% compared with the same period of the prior year. It was mainly because that the Bank focused on building a resource allocation system with RAROC as a yardstick, and advanced the steady growth in the interest-earning assets, with continuous optimization of the asset structure.

Interest Income from Loans to Customers

During the reporting period, the Bank focused on serving the real economy, continued to increase credit supply to key fields and optimized the business credit structure. Interest income from loans to customers amounted to RMB163,260 million, representing an increase of RMB5,150 million, or 3.26% compared with the same period of the prior year.

Among them, interest income from personal loans amounted to RMB99,837 million, representing a decrease of RMB2,080 million, or 2.04% compared with the same period of the prior year. It was mainly because of the decrease in the interest income from personal residential mortgage loans as a result of the lower LPR and reduction of interest rates on existing mortgages loans. During the reporting period, the Bank continued to deepen its efforts in serving the rural revitalization, consumer credit and other fields, and accelerated and improved its intelligent and digital service capabilities. Interest income from micro loans increased by RMB3,602 million, or 11.84% compared with the same period of the prior year; and interest income from other consumer loans increased by RMB1,204 million, or 8.52% compared with the same period of the prior year, which partially offset the impact of interest rate cut on the interest income from personal loans.

Interest income from corporate loans amounted to RMB60,367 million, representing an increase of RMB7,844 million, or 14.93% compared with the same period of the prior year, primarily due to an increase in the average balance of corporate loans because the Bank comprehensively promoted the new "1 plus N" operation and service system, continued to optimize the three-dimensional marketing system that combines online, offline and remote operations, and actively promoted product and service innovation.

Analysis on Average Yield of Loans to Customers by Business Line

In RMB million, except for percentages

	For the six months ended June 30, 2024			For the six months ended June 30, 2023		
Item	Average balance	Interest income	Average yield (%)(1)	Average balance	Interest income	Average yield (%)(1)
Personal loans	4,594,625	99,837	4.37	4,155,935	101,917	4.95
Corporate loans	3,443,613	60,367	3.53	2,902,557	52,523	3.65
Discounted bills	410,718	3,056	1.50	461,911	3,670	1.60
Total loans to customers	8,448,956	163,260	3.89	7,520,403	158,110	4.24

Note (1): On an annualized basis.

Analysis on Average Yield of Loans to Customers by Maturity Structure

In RMB million, except for percentages

Item	For the six months ended June 30, 2024			For the six months ended June 30, 2023		
	Average balance	Interest income	Average yield (%)[1]	Average balance	Interest income	Average yield (%)[1]
Short-term loans	2,849,573	53,432	3.77	2,689,718	53,305	4.00
Medium- and long-term loans	5,599,383	109,828	3.94	4,830,685	104,805	4.38
Total loans to customers	8,448,956	163,260	3.89	7,520,403	158,110	4.24

Note (1): On an annualized basis.

Interest Income from Investments

During the reporting period, the Bank's interest income from investments amounted to RMB70,231 million, representing an increase of RMB2,469 million, or 3.64% compared with the same period of the prior year. It was mainly because the Bank focused on creating a differentiated growth pole in the financial market business, actively seized market opportunities and scientifically developed business strategies, leading to the increase in the average balance of financial investments such as bonds issued by financial institutions and government bonds.

Interest Income from Deposits with Central Bank

During the reporting period, the Bank's interest income from deposits with central bank amounted to RMB10,093 million, representing an increase of RMB183 million, or 1.85% compared with the same period of the prior year, primarily driven by the increase in average balance of deposit reserves.

Interest Income from Deposits and Placements with Banks and Other Financial Institutions

During the reporting period, the Bank's interest income from deposits and placements with banks and other financial institutions amounted to RMB11,099 million, representing an increase of RMB1,571 million, or 16.49% compared with the same period of the prior year. It was primarily because that the Bank seized the opportunity of higher interest rates, optimized the business structure, and increased the average balance of time deposits placed with other financial institutions and bonds held under resale agreements.

Interest Expense

During the reporting period, by adhering to the liability development mechanism centered on value deposits and fully leveraging the policy guideline such as performance appraisal and interest rate management, the Bank achieved a reasonable growth in the scale of liability business. The interest expense amounted to RMB111,807 million, representing an increase of RMB6,802 million, or 6.48% year on year, primarily due to the increased interest expense on customer deposits. The average cost of interest-bearing liabilities was 1.51%, a year-on-year decrease of 6 bps, indicating that the interest payment cost was under effective control.

Analysis of Financial Statements

Interest Expense on Customer Deposits

During the reporting period, the Bank proactively optimized deposit structure and strengthened the management and control over high-cost deposits. The interest expense on customer deposits amounted to RMB105,820 million, representing an increase of RMB6,208 million, or 6.23% year on year, primarily driven by the growth in the scale of deposits. The average cost of deposits decreased by 6 bps year on year to 1.48%, among which the average cost of personal deposits decreased by 7 bps year on year.

Analysis on Average Cost of Customer Deposits by Product Type

In RMB million, except for percentages

	For the six months ended June 30, 2024			For the six months ended June 30, 2023		
Item	Average balance	Interest expense	Average cost (%)(1)	Average balance	Interest expense	Average cost (%)(1)
Personal deposits						
Demand deposits	3,048,623	3,140	0.21	2,994,920	3,414	0.23
Time deposits	9,809,231	92,560	1.90	8,561,253	86,655	2.04
Subtotal	12,857,854	95,700	1.50	11,556,173	90,069	1.57
Corporate deposits						
Demand deposits	926,070	3,858	0.84	937,842	3,974	0.85
Time deposits	611,418	6,262	2.06	508,802	5,569	2.21
Subtotal	1,537,488	10,120	1.32	1,446,644	9,543	1.33
Total customer deposits	14,395,342	105,820	1.48	13,002,817	99,612	1.54

Note (1): On an annualized basis.

Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

During the reporting period, the Bank's interest expense on deposits and placements from banks and other financial institutions amounted to RMB2,842 million, representing an increase of RMB114 million, or 4.18% compared with the same period of the prior year, primarily driven by the Bank's proactive optimization of the liability structure, with an increase in the average balance of demand deposits placed with other financial institutions.

Interest Expense on Debt Securities Issued

During the reporting period, the Bank's interest expense on debt securities issued amounted to RMB2,877 million, representing an increase of RMB463 million, or 19.18% compared with the same period of the prior year, primarily driven by the increase in the average balance of the tier 2 capital bonds and interbank certificates of deposit issued by the Bank.

Net Fee and Commission Income

During the reporting period, the Bank realized a net fee and commission income of RMB15,161 million, representing a year-on-year decrease of RMB3,042 million, or 16.71%.

Fee and commission income amounted to RMB23,688 million, representing a year-on-year decrease of RMB10,318 million, or 30.34%, primarily due to the decrease in income from bancassurance business as a result of the policy of "reporting and execution consistency". The Bank actively responded to the adjustment of bancassurance policies, further optimized business strategies, focused on key products, and promoted the balanced development of intermediary business. Specifically, investment banking fee income amounted to RMB2,434 million, representing a year-on-year increase of RMB801 million, or 49.05%. It was mainly because the Bank enhanced the synergy between investment banking and commercial banking and provided integrated financial services in a customer-oriented manner, thereby driving rapid growth in the business income. Wealth management fee income amounted to RMB1,852 million, representing a year-on-year increase of RMB327 million, or 21.44%, primarily because the scale of wealth management grew as the Bank actively grasped market development opportunities, optimized asset allocation and improved product portfolios. Other business income amounted to RMB1,712 million, representing a year-on-year increase of RMB629 million, or 58.08%, which was mainly because the Bank kept optimizing its digitalised products such as trade finance and supply chain, and realized rapid growth in the fee income from off-balance sheet bills and letters as well as supply chain finance.

Fee and commission expense amounted to RMB8,527 million, representing a year-on-year decrease of RMB7,276 million, or 46.04%, primarily due to a decrease in commission expenses as a result of the decline in the income from sales of financial products at postal agency outlets.

Components of Net Fee and Commission Income

In RMB million, except for percentages

Item	For the six months ended June 30, 2024	For the six months ended June 30, 2023	Increase/ (decrease)	Change (%)
Agency service business	6,383	17,790	(11,407)	(64.12)
Bank cards business	5,456	6,154	(698)	(11.34)
Settlement and clearing	5,255	5,257	(2)	(0.04)
Investment banking	2,434	1,633	801	49.05
Wealth management	1,852	1,525	327	21.44
Custody business	596	564	32	5.67
Others	1,712	1,083	629	58.08
Fee and commission income	23,688	34,006	(10,318)	(30.34)
Less: Fee and commission expense	8,527	15,803	(7,276)	(46.04)
Net fee and commission income	15,161	18,203	(3,042)	(16.71)

Net Other Non-Interest Income

During the reporting period, the Bank's net other non-interest income amounted to RMB18,882 million, representing an increase of RMB233 million, or 1.25% compared with the same period of the prior year. In particular, net trading gains and net gains on investment securities totaled RMB16,709 million, representing an increase of RMB779 million, or 4.89% compared with the same period of the prior year. It was mainly because that the Bank focused on creating a differentiated growth pole in the financial market business, actively optimized the asset allocation, and increased the investment in quality assets such as securities investment funds, leading to increased dividend income and appraised value. It also deepened the development of the interbank ecosystem, continuously enriched the trading strategies, sped up the trading and flow of assets such as debt securities and interbank certificates of deposit, resulting in increased buy-sell spread income.

Net gains on derecognition of financial assets measured at amortized cost amounted to RMB1,731 million, representing an increase of RMB406 million, or 30.64% compared with the same period of the prior year, primarily due to the gains from the issuance of NPA securitization as the Bank actively broadened its channels for the NPA disposal.

Net other operating gains amounted to RMB436 million, representing a decrease of RMB951 million, or 68.57% compared with the same period of the prior year, primarily due to the fluctuation of the exchange rate of the U.S. dollar against the RMB.

Components of Net Other Non-Interest Income

In RMB million, except for percentages

Item	For the six months ended June 30, 2024	For the six months ended June 30, 2023	Increase/ (decrease)	Change (%)
Net trading gains	2,281	2,253	28	1.24
Net gains on investment securities	14,428	13,677	751	5.49
Net gains on derecognition of financial assets measured at amortized cost	1,731	1,325	406	30.64
Share of results of associates	6	7	(1)	(14.29)
Net other operating gains	436	1,387	(951)	(68.57)
Total	18,882	18,649	233	1.25

Operating Expenses

During the reporting period, the Bank upheld control over total volume, prioritized profitability and fully implemented refined control on costs. Operating expenses amounted to RMB107,372 million, representing an increase of RMB4,263 million, or 4.13% compared with the same period of the prior year. In particular, deposit agency fee and others amounted to RMB60,859 million, representing an increase of RMB4,783 million, or 8.53% compared with the same period of the prior year, primarily due to an increase in scale of personal deposits taken by postal agency outlets. Staff costs amounted to RMB28,036 million, representing a decrease of RMB483 million, or 1.69% compared with the same period of the prior year. Depreciation and amortization stood at RMB5,684 million, representing an increase of RMB237 million, or 4.35% compared with the same period of the prior year, mainly because the Bank continued to promote FinTech empowerment, and increased investment in information technology, driving increase in depreciation of fixed assets as well as amortization of intangible assets.

Major Components of Operating Expenses

In RMB million, except for percentages

Item	For the six months ended June 30, 2024	For the six months ended June 30, 2023	Increase/ (decrease)	Change (%)
Deposit agency fee and others	60,859	56,076	4,783	8.53
Staff costs	28,036	28,519	(483)	(1.69)
Depreciation and amortization	5,684	5,447	237	4.35
Taxes and surcharges	1,307	1,495	(188)	(12.58)
Other expenses	11,486	11,572	(86)	(0.74)
Total operating expenses	107,372	103,109	4,263	4.13

Credit Impairment Losses

During the reporting period, the Bank adhered to a prudent risk management policy and made provision for impairment in an objective and reasonable manner. Credit impairment losses amounted to RMB16,120 million, representing a decrease of RMB3,196 million, or 16.55% compared with the same period of the prior year. It was mainly because that the Bank’s asset quality remained stable, and the provision for impairment losses decreased compared with the same period of the prior year.

Income Tax Expenses

During the reporting period, the Bank’s income tax expenses amounted to RMB4,529 million, representing a decrease of RMB564 million, or 11.07% compared with the same period of the prior year, mainly due to the decrease of total profits and the increased proportion of tax-reduced and tax-free income.

Analysis of Financial Statements

Segment Information

Operating Income by Operating Segment

In RMB million, except for percentages

Item	For the six months ended June 30, 2024		For the six months ended June 30, 2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal banking	126,517	71.51	127,826	72.15
Corporate banking	32,369	18.30	28,469	16.07
Treasury	17,802	10.06	20,620	11.64
Others	231	0.13	242	0.14
Total operating income	176,919	100.00	177,157	100.00

For further details of business scope of each segment, please refer to "Notes to the Condensed Consolidated Financial Statements – 40.1 Operating segment".

Operating Income by Geographical Segment

In RMB million, except for percentages

Item	For the six months ended June 30, 2024		For the six months ended June 30, 2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	(2,659)	(1.50)	(4,963)	(2.80)
Yangtze River Delta	30,437	17.20	29,779	16.81
Pearl River Delta	23,584	13.33	24,166	13.64
Bohai Rim	27,851	15.74	28,270	15.96
Central China	49,864	28.19	51,792	29.23
Western China	36,271	20.50	36,222	20.45
Northeastern China	11,571	6.54	11,891	6.71
Total operating income	176,919	100.00	177,157	100.00

For further details of business scope of each geographical segment, please refer to "Notes to the Condensed Consolidated Financial Statements – 40.2 Geographical segment".

Balance Sheet Analysis

Assets

The Bank fully implemented the decisions and plans of the CPC Central Committee, stayed true to the fundamental purpose of serving the real economy with financial services, continued to improve high-quality financial supply, and coordinated and optimized asset allocation to better meet the needs of high-quality economic and social development. During the reporting period, the Bank continued to strengthen the balance between assets and liabilities as well as the balance between scale and profitability, and consistently used RAROC as the yardstick to constantly refine its asset business structure and improve its value creation capability. By integrating its own resource endowment with serving key areas of the real economy, the Bank strove to increase credit supply to major strategies, key areas and weak links. The Bank strengthened prediction of market trends, highlighted investment analysis as guidance, refined non-credit business layout and improved the efficiency of fund use.

As at the end of the reporting period, the Bank's total assets amounted to RMB16,413,529 million, representing an increase of RMB686,898 million, or 4.37% compared with the prior year-end, of which net loans to customers amounted to RMB8,424,546 million, representing an increase of RMB509,301 million, or 6.43% compared with the prior year-end; financial investments amounted to RMB5,663,484 million, representing an increase of RMB275,896 million, or 5.12% compared with the prior year-end. In terms of the structure, net loans to customers accounted for 51.33% of total assets, representing an increase of 1 percentage point compared with the prior year-end; financial investments accounted for 34.50% of total assets, representing an increase of 0.24 percentage point compared with the prior year-end.

Key Items of Assets

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total loans to customers	8,658,762	–	8,148,893	–
Less: Allowance for impairment losses on loans[1]	234,216	–	233,648	–
Loans to customers, net	8,424,546	51.33	7,915,245	50.33
Financial investments	5,663,484	34.50	5,387,588	34.26
Cash and deposits with central bank	1,308,757	7.97	1,337,501	8.50
Deposits with banks and other financial institutions	255,419	1.56	189,216	1.20
Placements with banks and other financial institutions	328,849	2.00	297,742	1.89
Financial assets held under resale agreements	211,036	1.29	409,526	2.60
Other assets	221,438	1.35	189,813	1.22
Total assets	16,413,529	100.00	15,726,631	100.00

Note (1): Allowance for impairment losses on loans to customers measured at amortized cost.

Analysis of Financial Statements

Loans to Customers

As at the end of the reporting period, total loans to customers amounted to RMB8,658,762 million, representing an increase of RMB509,869 million, or 6.26% compared with the prior year-end.

Loans to Customers by Business Line

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Personal loans	4,687,617	54.14	4,470,248	54.86
Corporate loans	3,532,645	40.80	3,214,471	39.45
Discounted bills	438,500	5.06	464,174	5.69
Total loans to customers	8,658,762	100.00	8,148,893	100.00

Loans to Customers by Maturity

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Short-term loans	2,889,891	33.38	2,845,045	34.91
Medium- and long-term loans	5,768,871	66.62	5,303,848	65.09
Total loans to customers	8,658,762	100.00	8,148,893	100.00

Loans to Customers by Geographical Region

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	346,298	4.00	363,568	4.46
Yangtze River Delta	1,836,913	21.21	1,693,237	20.78
Pearl River Delta	1,082,246	12.50	1,052,519	12.92
Bohai Rim	1,346,715	15.55	1,237,696	15.19
Central China	2,117,735	24.46	1,997,777	24.51
Western China	1,488,227	17.19	1,384,281	16.99
Northeastern China	440,628	5.09	419,815	5.15
Total loans to customers	8,658,762	100.00	8,148,893	100.00

Personal Loans

As at the end of the reporting period, the Bank's total personal loans amounted to RMB4,687,617 million, representing an increase of RMB217,369 million, or 4.86% compared with the prior year-end.

In particular, consumer loans amounted to RMB2,929,340 million, representing an increase of RMB70,599 million, or 2.47% compared with the prior year-end, which was primarily because the Bank offered full support to meet the needs of first-time home buyers and upgraders, created a digital and intelligent consumer loan product system and marketing model to provide customers with convenient and quality consumer credit services, thus resulting in steady growth in consumer loans.

Personal micro loans amounted to RMB1,535,010 million, representing an increase of RMB142,783 million, or 10.26% compared with the prior year-end, which was mainly because the Bank further implemented the rural revitalization strategy, continued to boost credit extensions for rural revitalization, focused on specialty industries and scenario development, advanced proactive credit extension for Sannong customers, accelerated the transformation towards digital and intensive operation of micro loans, and created differentiated competitive advantages in the rural market, leading to relatively rapid growth in personal micro loans.

Personal Loans by Product Type

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Consumer loans	2,929,340	62.49	2,858,741	63.95
Residential mortgage loans	2,361,609	50.38	2,337,991	52.30
Other consumer loans	567,731	12.11	520,750	11.65
Personal micro loans[1]	1,535,010	32.75	1,392,227	31.14
Credit card overdrafts and others	223,267	4.76	219,280	4.91
Total personal loans	4,687,617	100.00	4,470,248	100.00

Note (1): Personal micro loans mainly include loans granted for personal businesses.

Corporate Loans

As at the end of the reporting period, the Bank's total corporate loans amounted to RMB3,532,645 million, representing an increase of RMB318,174 million, or 9.90% compared with the prior year-end, which was mainly because the Bank implemented the major national strategic plans, gave full support to the development of the real economy, and boosted credit extensions in fields like advanced manufacturing, technological innovation, green finance and inclusive finance; the Bank accelerated the development of SME finance as one of its differentiated growth poles to provide enterprises with distinctive, all-around and multi-levelled comprehensive financial services, resulting in relatively rapid growth in the scale of corporate loans.

Analysis of Financial Statements

As at the end of the reporting period, the top five industries to which the Bank granted corporate loans were transportation, storage and postal services; manufacturing; real estate; production and supply of electricity, heating, gas and water; and wholesale and retail industry. The balance of loans extended to the top five industries in aggregate accounted for 64.57% of total corporate loans, representing a decrease of 3.31 percentage points compared with the prior year-end.

Corporate Loans by Industry

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Transportation, storage and postal services	861,700	24.39	859,031	26.72
Manufacturing	565,172	16.00	509,819	15.86
Real estate	285,458	8.08	253,086	7.87
Production and supply of electricity, heating, gas and water	284,729	8.06	274,330	8.53
Wholesale and retail	284,022	8.04	237,693	7.39
Management of water conservancy, environment and public facilities	270,625	7.66	185,950	5.78
Financial services	270,395	7.65	286,117	8.90
Leasing and commercial services	242,935	6.88	209,006	6.50
Construction	230,135	6.51	198,542	6.18
Mining	89,899	2.54	84,412	2.64
Other industries[1]	147,575	4.19	116,485	3.63
Total corporate loans	3,532,645	100.00	3,214,471	100.00

Note (1): Other industries consist of the agriculture, forestry, animal husbandry and fishery; information transmission, computer services and the software industry, etc.

Discounted Bills

As at the end of the reporting period, the Bank's discounted bills amounted to RMB438,500 million, representing a decrease of RMB25,674 million, or 5.53% compared with the prior year-end, mainly because the Bank continued to optimize the asset structure and reduced the size of low-yield bill assets.

Financial Investments

During the reporting period, the Bank upheld investment analysis as guidance, focused on creating the financial market business as one of its differentiated growth poles, strengthened prediction of market trends, seized market opportunities and reasonably adjusted the investment pace. The Bank focused on improving its capability of asset allocation management, and continued to optimize investment business structure, resulting in a steady growth in the scale of financial investments.

As at the end of the reporting period, the Bank's financial investments amounted to RMB5,663,484 million, representing an increase of RMB275,896 million, or 5.12% compared with the prior year-end.

In terms of product, the increase was primarily in the investment scale of debt securities and securities investment funds, etc. Among them, investment in debt securities amounted to RMB4,288,676 million, representing an increase of RMB212,486 million or 5.21% compared with the prior year-end, while that in securities investment funds amounted to RMB625,990 million, representing an increase of RMB103,830 million or 19.88% compared with the prior year-end.

In terms of measurement approach, the increase was primarily in financial assets measured at amortized cost and financial assets measured at fair value through profit or loss. Among them, the financial assets measured at amortized cost amounted to RMB4,147,488 million, representing an increase of RMB159,278 million or 3.99% compared with the prior year-end, which was primarily attributable to the increase in the scale of investment in bonds issued by financial institutions, local government bonds and others; and the financial assets measured at fair value through profit or loss amounted to RMB994,505 million, representing an increase of RMB105,989 million, or 11.93% compared with the prior year-end, which was primarily attributable to the increase in the scale of securities investment funds.

Investments by Product

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities	4,288,676	75.73	4,076,190	75.66
Securities investment funds	625,990	11.05	522,160	9.69
Interbank certificates of deposit	464,126	8.20	485,719	9.02
Asset management plans	142,347	2.51	135,556	2.52
Trust investment plans	131,406	2.32	149,319	2.77
Others	10,939	0.19	18,644	0.34
Total financial investments	5,663,484	100.00	5,387,588	100.00

Financial Investments by Measurement Approach

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets measured at fair value through profit or loss	994,505	17.56	888,516	16.49
Financial assets measured at fair value through other comprehensive income	521,491	9.21	510,862	9.48
Financial assets measured at amortized cost	4,147,488	73.23	3,988,210	74.03
Total financial investments	5,663,484	100.00	5,387,588	100.00

Analysis of Financial Statements

Investment Structure by Type of Investment Instruments

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	5,657,461	99.89	5,378,359	99.83
Equity instruments	6,023	0.11	9,229	0.17
Total financial investments	5,663,484	100.00	5,387,588	100.00

Investments in Debt Securities

As at the end of the reporting period, the Bank's investments in debt securities amounted to RMB4,288,676 million, representing an increase of RMB212,486 million, or 5.21% compared with the prior year-end, mainly because the Bank continued to improve the investment analysis system, closely monitored the trends of interest rates, made reasonable allocation in terms of bond types and portfolio duration, and increased investments in bonds issued by policy banks and local government bonds with tax benefits and less capital consumption.

Investments in Debt Securities by Issuing Institution

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Bonds issued by financial institutions	2,292,086	53.45	2,146,311	52.65
Government bonds	1,733,202	40.41	1,662,081	40.78
Corporate bonds	263,388	6.14	267,798	6.57
Total investments in debt securities	4,288,676	100.00	4,076,190	100.00

Investments in Debt Securities by Remaining Maturity

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	10	0.00	10	0.00
Within 3 months	137,827	3.21	180,029	4.42
3-12 months	318,700	7.43	224,946	5.52
1-5 years	2,215,862	51.67	1,871,424	45.92
Over 5 years	1,616,277	37.69	1,799,781	44.14
Total investments in debt securities	4,288,676	100.00	4,076,190	100.00

Investments in Debt Securities by Currency

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	4,239,113	98.84	4,019,099	98.60
Foreign currencies	49,563	1.16	57,091	1.40
Total investments in debt securities	4,288,676	100.00	4,076,190	100.00

Financial Bonds

As at the end of the reporting period, the Bank held RMB2,292,086 million of bonds issued by financial institutions, of which, bonds issued by policy banks amounted to RMB1,952,779 million, accounting for 85.20% of the total.

Top Ten Financial Bonds in Terms of Par Value

In RMB million, except for percentages

Debt securities	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses[1]
2015 Policy Financial Bonds	61,412.50	3.71	2025/8/31	–
2021 Policy Financial Bonds	48,015.00	3.41	2031/6/7	–
2021 Policy Financial Bonds	37,900.00	3.12	2031/9/13	–
2015 Policy Financial Bonds	36,276.80	2.90	2035/9/28	–
2021 Policy Financial Bonds	35,300.00	3.66	2031/3/1	–
2017 Policy Financial Bonds	34,660.00	4.04	2027/4/10	–
2022 Policy Financial Bonds	33,890.00	2.61	2027/1/27	–
2016 Policy Financial Bonds	33,650.00	3.05	2026/8/25	–
2019 Policy Financial Bonds	33,560.00	3.48	2029/1/8	–
2017 Policy Financial Bonds	32,250.00	4.30	2024/8/21	–

Note (1): Excludes allowance for impairment losses for the stage 1 set aside in accordance with the new financial instrument standards.

Liabilities

The Bank earnestly implemented regulatory requirements, established and improved the liability quality management system, and regarded high-quality liabilities as the basis for steady operations and the cornerstone for serving the real economy. During the reporting period, the Bank continuously consolidated the scale and quality of customers, took personal deposits as the focus of core liability businesses, achieved steady growth in the scale of deposits and sustained a stable source of deposits. It reasonably expanded funding channels and maintained diversity in liability structure. It scientifically made coordinated arrangement for funding source and the total amount, structure and pace of utilization, and realized a comprehensive balance between liquidity and profitability. It adhered to compliance in business operation, carried out transactions, accounting and statistics of liabilities in a legally compliant way, and firmly guarded against risks. The quality of liability business improved steadily, with the relevant indicators performing well.

Analysis of Financial Statements

As at the end of the reporting period, the Bank's total liabilities amounted to RMB15,406,730 million, representing an increase of RMB636,715 million, or 4.31% compared with the prior year-end, among which, customer deposits amounted to RMB14,865,060 million, representing an increase of RMB909,097 million, or 6.51% compared with the prior year-end; deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements amounted to a total of RMB268,526 million, representing a decrease of RMB160,353 million, or 37.39% compared with the prior year-end.

Key Items of Liabilities

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Customer deposits	14,865,060	96.48	13,955,963	94.49
Deposits from banks and other financial institutions	121,780	0.79	95,303	0.65
Placements from banks and other financial institutions	61,549	0.40	60,212	0.41
Financial assets sold under repurchase agreements	85,197	0.55	273,364	1.85
Debt securities issued	132,491	0.86	261,138	1.77
Borrowings from central bank	30,807	0.20	33,835	0.23
Other liabilities	109,846	0.72	90,200	0.60
Total liabilities	15,406,730	100.00	14,770,015	100.00

Customer Deposits

As at the end of the reporting period, the Bank's customer deposits amounted to RMB14,865,060 million, representing an increase of RMB909,097 million, or 6.51% compared with the prior year-end. The scale of core liabilities maintained steady growth.

In particular, personal deposits amounted to RMB13,215,242 million, representing an increase of RMB720,386 million, or 5.77% compared with the prior year-end. It was mainly driven by growth in deposits with maturities of one year or less as the Bank adhered to the philosophy of high-quality deposit development, and continued to optimize the structure of deposits. Corporate deposits amounted to RMB1,646,594 million, representing an increase of RMB188,157 million, or 12.90% compared with the prior year-end. It was mainly because the Bank thoroughly implemented the new "1 plus N" operation and service system, and constantly improved the comprehensive financial service capability for corporate customers, resulting in relatively fast growth in corporate deposits.

Customer Deposits by Product and Customer

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Personal deposits	13,215,242	88.90	12,494,856	89.53
Demand deposits	3,030,455	20.39	3,146,947	22.55
Time deposits	10,184,787	68.51	9,347,909	66.98
Corporate deposits	1,646,594	11.08	1,458,437	10.45
Demand deposits	937,887	6.31	881,226	6.31
Time deposits	708,707	4.77	577,211	4.14
Other deposits(1)	3,224	0.02	2,670	0.02
Customer deposits	14,865,060	100.00	13,955,963	100.00

Note (1): Other deposits consist of remittance payable, credit card deposits, outbound remittance, etc.

Customer Deposits by Geographical Region

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	2,616	0.02	2,611	0.02
Yangtze River Delta	2,434,388	16.38	2,253,741	16.15
Pearl River Delta	1,319,390	8.88	1,261,259	9.04
Bohai Rim	2,295,583	15.44	2,118,581	15.18
Central China	4,666,049	31.38	4,352,943	31.19
Western China	3,081,433	20.73	2,936,282	21.04
Northeastern China	1,065,601	7.17	1,030,546	7.38
Customer deposits	14,865,060	100.00	13,955,963	100.00

Customer Deposits by Remaining Maturity

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Repayable on demand	4,029,780	27.11	4,077,821	29.22
Within 3 months	1,850,987	12.45	3,782,457	27.10
3-12 months	7,683,130	51.69	4,717,812	33.81
1-5 years	1,301,163	8.75	1,377,873	9.87
Customer deposits	14,865,060	100.00	13,955,963	100.00

Analysis of Financial Statements

Equity

As at the end of the reporting period, the Bank's total equity amounted to RMB1,006,799 million, representing an increase of RMB50,183 million, or 5.25% compared with the prior year-end. It was mainly because the issuance of perpetual bonds of RMB30 billion, net profit of RMB48,885 million and distributed dividends on ordinary shares and perpetual bonds of RMB31,197 million.

Composition of Equity

In RMB million, except for percentages

Item	June 30, 2024		December 31, 2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Share capital	99,161	9.85	99,161	10.37
Other equity instruments – perpetual bonds	199,986	19.86	169,986	17.77
Capital reserve	162,679	16.16	162,682	17.01
Other comprehensive income	6,566	0.65	5,034	0.53
Surplus reserve	67,010	6.66	67,010	7.00
General reserve	201,796	20.04	201,696	21.08
Retained earnings	267,788	26.60	249,304	26.06
Equity attributable to equity holders of the Bank	1,004,986	99.82	954,873	99.82
Non-controlling interests	1,813	0.18	1,743	0.18
Total equity	1,006,799	100.00	956,616	100.00

Off-Balance Sheet Items

The Bank's off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments.

Derivative financial instruments mainly include interest rate contracts, exchange rate contracts and others. For details of notional amount and fair value of derivative financial instruments, please refer to "Notes to the Condensed Consolidated Financial Statements – 15 Derivative financial assets and liabilities".

Contingent liabilities and commitments mainly consist of lawsuits and claims, capital commitments, credit commitments, collateralized and pledged assets, and commitments on redemption of government bonds. For details of contingent liabilities and commitments, please refer to "Notes to the Condensed Consolidated Financial Statements – 38 Contingent liabilities and commitments". Credit commitments consist of loan commitments, bank acceptances, guarantees and letters of guarantee, letters of credit and unused credit card commitments.

Components of Credit Commitments

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	36,392	4.07	54,667	6.33
Bank acceptances	147,473	16.47	161,994	18.77
Guarantees and letters of guarantee	104,627	11.69	90,880	10.53
Letters of credit	117,206	13.09	95,177	11.03
Unused credit card commitments	489,486	54.68	460,229	53.34
Total credit commitments	895,184	100.00	862,947	100.00

Analysis of Cash Flow Statement

During the reporting period, net cash inflow generated from operating activities of the Bank was RMB130,932 million, a year-on-year increase of RMB47,435 million, mainly due to the increase in cash received from customer deposits compared with the same period of the prior year.

During the reporting period, net cash outflow used in investing activities of the Bank amounted to RMB197,933 million, representing a year-on-year increase of RMB52,847 million, primarily due to the increase in cash paid for investments in debt securities compared with the same period of the prior year.

During the reporting period, net cash outflow used in financing activities of the Bank was RMB108,600 million, compared with a net cash inflow of RMB231,708 million in the same period of the prior year, mainly due to the decrease in cash received from the issuance of interbank certificates of deposit during the current period compared with the same period of the prior year, and the increase in cash paid for the repayment of interbank certificates of deposit issued in prior years.

Other Financial Information

Explanation of Changes in Accounting Policies

There were no significant changes in accounting policies of the Bank during the reporting period.

Explanation of Differences in Financial Statements Prepared Under Domestic and International Accounting Standards

There was no difference between the net profit attributable to equity holders of the Bank during the reporting period and the equity attributable to equity holders of the Bank at the end of the reporting period in the financial statements prepared by the Bank under PRC GAAP and the corresponding figures prepared by the Bank under IFRSs.

Information on Debt Securities

During the reporting period, the Bank did not issue any enterprise bonds, corporate bonds or debt financing instruments of non-financial enterprises that need to be disclosed in accordance with the Standards Concerning the Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No. 3 – Contents and Formats of Interim Reports and the Management Measures for the Information Disclosure of Corporate Credit Bonds.

Business Overview

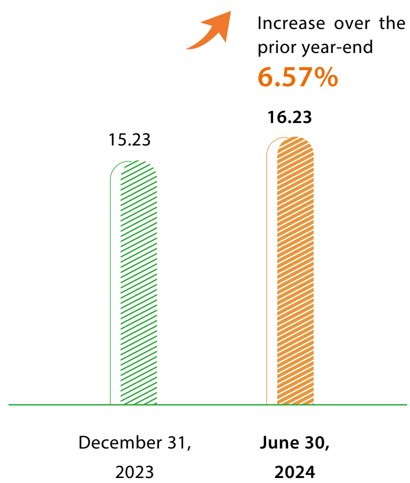
Retail Banking Business

The Bank served **665** million personal customers.

AUM amounted to RMB **16.23** trillion, an increase of RMB **996,775** million over the prior year-end.

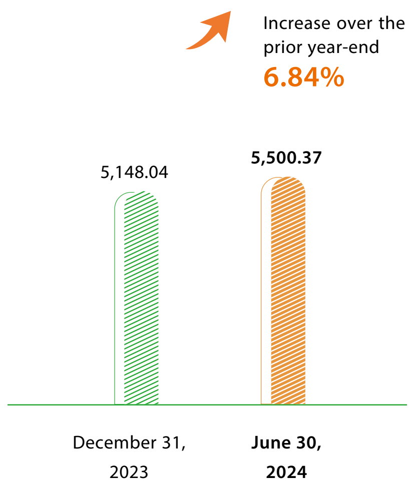
AUM

(In RMB trillion)



Number of VIP customers

(In 10,000)



Adhering to the strategy of becoming a first-tier large retail bank and remaining committed to serving the people through financial services, the Bank deepened the building of major capabilities in six aspects, improved refined management, strengthened the differentiated growth pole of wealth management, and contributed to the efforts of building a financial powerhouse. As at the end of the reporting period, the Bank served 665 million personal customers, with the AUM reaching RMB16.23 trillion, an increase of RMB996,775 million over the prior year-end. Personal deposits totaled RMB13.22 trillion, up by RMB0.72 trillion from the prior year-end, and personal loans amounted to RMB4,687,617 million, up by RMB217,369 million from the prior year-end.

The Bank upheld the customer-centric principle and created value for customers with professional services. The Bank improved specialized wealth management, selected low-volatility and robust products across the entire market, built up professional and tiered wealth advisor teams, improved the development of the investment research and investment advisory system, established a service paradigm with asset allocation and continuous rebalanced service inspection as its core, and continued to create long-term value for customers. The Bank offered more convenient credit extension service. It established a multi-dimensional marketing system, created a full-process proactive credit extension model, realized multi-channel customer engagement through various channels such as intelligent customer service, unified counters, queuing machines, and intelligent teller machines (ITMs), thereby being more responsive to customers' demand for convenient service. The Bank continued to improve the efficiency of intensive operation. Credit review and approval were centralized to Head Office in 10 provincial branches for all types of loans under consumer credit business, and the review and approval authority for micro loans in 35 branches was centralized to tier-1 branches, and the centralized review and approval in the Head Office were launched, further releasing frontline productivity.

The Bank actively met customers' personalized demands and launched the "Customized Baby Card for the Year of Dragon" product.

The Bank continuously advanced close integration of channel advantage and digitalization, and extended financial services to a wider range of customers. Based on offline outlets, the Bank continued to optimize the layout, built a number of competitive wealth management centers, strengthened efforts in developing ecosystems around outlets, and regarded outlets as the main front for customer operation and services. The Bank also kept optimizing online channels. It improved mobile banking functions, expanded online financial service scenarios and built intelligent risk control barriers to provide customers with more efficient and convenient services. The Bank made all-out efforts to push forward the online and offline integrated development, removed the marketing channel barriers between Customer Relationship Management System (CRM platform) offline and the Customer Operation Platform online, and achieved more efficient management and more targeted service offerings.

Basic Retail Banking

With a focus on customers' comprehensive financial service demands, the Bank built trust with customers by professional services, opened up service space through omni-channel upgrading, and aimed to become a retail bank that is available anytime, anywhere, and at the convenience of customers.

Scan to apply for a Customized Baby Card for the Year of Dragon

Retail Banking Business

Basic Financial Services

In terms of personal deposits, the Bank strengthened its distinctive advantages, actively launched innovative deposit products, and established basic financial service scenarios to promote the high-quality development of personal deposits. The Bank consolidated financial services in counties, conducted the "Remit Love Home" campaign for migrant workers centering on the peak season of deposit needs during the Spring Festival and the settlement demand of grain purchase season in summer, and improved rural payment and settlement scenarios in counties. The personal deposits in counties and areas below the county level accounted for nearly 70% of the total personal deposits of the Bank. The Bank enriched deposit products, and launched products including "Kai Xin Cun" (joy salary deposit), an exclusive notice deposit product for payroll customers and the "Jin Hui" (golden sunshine) certificate of deposit exclusive for middle-aged and senior customers, to meet differentiated customer needs. The Bank expanded sources of demand deposits, continued to build payroll service and settlement scenarios to increase fund accumulation. As at the end of the reporting period, the Bank's balance of personal deposits recorded RMB13.22 trillion.

In terms of debit card business, the Bank provided customers with one-stop comprehensive financial services through "finance + scenario" refined operation to enhance the quality and capacity of resident consumption. The Bank accelerated innovation in debit card products, launched products such as "Customized Baby Card for the Year of Dragon" and "Couple-themed Customized Cards" to meet customers' personalized demands and boost customers' willingness to spend. The Bank optimized and upgraded customers' benefits. Centering around travel, entertainment, tourism and shopping scenarios, the Bank offered spend and save promotion on consumption via debit cards through multiple channels, and empowered customers to be able to consume with convenient and preferential services. The Bank continued to improve basic financial services for cardholders and further upgraded the "Colorful YOUNG Life Handbook" system to meet customers' multi-level financial needs, thus encouraging customers to enjoy consumption. During the reporting period, the spending via debit cards posted RMB3.89 trillion.

In terms of electronic payment, the Bank developed the "Kuai Qian Shou" (quick signer) comprehensive contract and marketing model that seamlessly integrated the "quick payment card binding, wealth management contract signing and mobile banking activation" as one-stop marketing into high-frequency transaction scenarios, realizing full engagement with customers across three major scenarios of "payment, investment and wealth management, and online interaction" and enhancing card binding and activation. The Bank conducted the marketing campaigns "PSBC Friday Discounts" and "WeChat Transaction Target Rewards", implemented targeted strategies through "i Cube", and conducted "inclusive plus targeted" multi-dimensional marketing, creating an atmosphere conducive to card use in consumption. During the reporting period, the transaction volume of electronic payment reached RMB3.57 trillion.

In terms of agency collection and payment, focusing on public welfare concerns, the Bank has provided fund collection and payment services to social security institutions at all levels and individual participants of social security insurances for a long time. The Bank strengthened resource integration, and provided customers with a package of comprehensive financial service solutions. At the B end[1], through "new" platforms, the Bank continued to promote products and services to go online and mobile and become more convenient. Through "one-click contract signing", the Bank refined the business opening process at the business end and strengthened the customer service capacity at the B end. At the C end[1], the Bank wove a

1 B end refers to the business end; C end refers to the consumer end.

"dense" network, upgraded the "payroll customer section" on mobile banking, rolled out exclusive deposits, wealth management, and debit card products for customers receiving agency payment, and retained customer funds with higher-quality services and experience. During the reporting period, the Bank's agency collection and agency payment amounted to RMB263,664 million and RMB772,338 million respectively, of which, the agency collection of social security pension was RMB19,254 million and the agency payment of social security pension was RMB408,213 million.

In terms of personal foreign currency business, the Bank provided personal customers with various international settlement services such as cross-border telegraphic transfer (T/T) and Western Union remittance. During the reporting period, the number of transactions for personal international settlement was 90.0 thousand, with a transaction volume of USD184 million. The Bank made steady progress in Cross-boundary Wealth Management Connect, providing quality financial services for the residents in the Guangdong-Hong Kong-Macao Greater Bay Area.

Personal Pension Business

The Bank fulfilled its responsibilities as a major state-owned bank, focused on the capabilities of finance and leveraged its resources to deepen pension finance services, and pushed for implementation of pension related policies. The Bank improved the personal pension product and service system, and provided customers with full-lifecycle personal pension services including account opening, fee payment and product investment via channels such as outlet counters and mobile banking. The Bank optimized the pension operation system, and introduced featured services such as retirement benefit calculator, pension tax savings calculator, retirement simulation calculator, automatic contributions, and family pension accounts to create a digital and intelligent retirement financial service ecosystem. The Bank popularized the personal pension policy, launched the personal pension service brand "U Enjoy Future", communicated the concept of "planning now for a better future", and held multi-dimensional investor education and communication campaigns, to help investors establish scientific views on pension investment such as long-term investment and value investment.

Retail Banking Business

Wealth Management Business

Actively meeting customers' multi-tiered wealth management needs, the Bank pressed ahead with capability building and put forth effort to forge the growth pole of wealth management. Adapting to the changes in customers' risk preference, the Bank continued to enrich the full-spectrum wealth management product system. The Bank established a tiered, categorized wealth management workforce, improved the systematical training mechanism, strengthened closed-loop management, and worked faster to build core competitiveness of the talent team. With a focus on customer experience and marketing challenges at grassroots level, the Bank empowered frontline marketing personnel and improved the quality and efficiency of wealth management services. The Bank persistently promoted investor education, provided professional and dedicated investment advisory service, and guided investors to develop scientific and rational investment habits. The Bank promoted the construction of private banking centers in key cities, and provided buy-side investment advisory services different from outlet service. With exclusive product offering, high-end medical benefits and family trusts as the leverage, the Bank improved its system construction and customer acquisition capabilities in all respects, initially achieving breakthroughs in private banking business. As at the end of the reporting period, the number of VIP customers of the Bank reached 55,003.7 thousand, an increase of 6.84% over the prior year-end; and the number of customers at the Fujia level and above reached 5,624.5 thousand, an increase of 13.34% over the prior year-end.

Wealth Management Product Line

Putting customer interests first, the Bank selected quality products from across the market and built a wealth management product and service platform that covers "all categories, diverse strategies and comprehensive features". During the reporting period, the Bank updated and upgraded the training manual "Why Purchase Insurance 2.0" and organized investor education campaigns in a tiered and categorized manner. With digital and intelligent marketing activities and special campaigns for high-end customers as the leverage, the Bank enriched individual insurance planning and expanded family insurance planning. The agency regular premiums amounted to RMB81,204 million, accounting for 55.80% of new policy premiums, up by 14.53 percentage points year on year. The Bank launched the "Wealth Management Night Market" section on mobile banking, enabled around-the-clock trading of wealth management products, and developed exclusive and preferential products. The sales of personal wealth management products totaled RMB864,072 million in the year. The Bank launched agency sale business of personal foreign currency wealth management products for the first time, continuously enriching customers' asset allocation options. The Bank adopted the absolute return strategy as the basic strategy for customers and launched the scheduled redemption function for products with a rolling holding period to continuously improve customers' investment experience. The sales of non-monetary funds recorded RMB99,432 million. The Bank launched innovative strategic private placement products such as fixed income plus options, multi-strategy FOF, etc. The scale of existing asset management plans (including trust plans) reached RMB106,047 million, an increase of 16.82% over the prior year-end. The insurance trust business was accelerated, with nearly 200 deals closed. Through active promotion of the campaign of "Making Government Bonds Available in the Countryside", the Bank's agency sales of savings government bonds reached RMB21,400 million. Seizing the gold allocation opportunities, the Bank enriched its own-label gold product system and continuously carried out promotional campaigns such as "Monday Special Offers for Gold". The sales of PSBC gold reached RMB842 million, an increase of 202.88% year on year.

Column

Serving Customers with Professional Companion and Exploring Growth Opportunities for Wealth Management

In the first half of the year, the A-share market went through a deep V-shaped rebound and volume contraction, with the market continuing to exhibit high volatility. The return rate declined substantially, and the spreads narrowed significantly at all levels, increasing the difficulty of wealth asset allocation. Facing the volatile market, the Bank adhered to the principle of professionalism as the key to success and practiced long-termism, and focused on "ensuring optimal asset allocation for customers" as its primary task to safeguard customers' wealth.

With professional investment research as the basis, the Bank consolidated the strength in wealth management. The Bank upgraded the investment research system, enhanced the professional support by the Head Office, and together with asset management institutions in the industry and excellent experts within the Bank, established an investment decision-making committee mechanism featuring complementary styles of investment, a full range of asset categories and closed-door in-depth communication. Putting customer interests first, the Bank provided professional support to wealth management customers and private banking customers on major category asset allocation. In response to continuous declines in return on assets, the Bank strengthened the capacity for developing innovative products, actively explored market investment opportunities and quality assets, made allocation to long-term wealth management products, and guided customer in investment upgrading and value investing. During the reporting period, the sales of two to three-year wealth management products surpassed RMB30 billion. The Bank continuously innovated and upgraded IT capability and established an investment monitoring and early-warning center, which, by monitoring multi-dimensional early-warning indicators of "market – portfolio – product", empowered wealth managers to assess customer accounts and offer targeted solutions.

With professional empowerment as the foundation, the Bank expanded the breadth of wealth management. The Bank forged a professionally competent wealth management team, developed an innovative training mode in which private banking customer managers were directly trained by the Head Office, and cultivated customer managers' high-net-worth customer service capacity by offering daily, weekly and quarterly continuous incremental learning that combines online and offline resources and integrates theory with practice. The Bank conducted Head Office "Strategic Observatory" regular refresher training of wealth advisors, which efficiently conveyed the Head Office's investment strategies, focused on breakthroughs in high-net-worth customer management, and strengthened output and application of professional knowledge to enhance core competitiveness on all fronts. The Bank implemented a standard mechanism for training new wealth advisors to help them get ready for their jobs through systematic training at the Head Office and branches, one-on-one coaching, etc. The Bank organized further research and study activities for product managers and top wealth managers, with a focus on strengthening their capabilities of asset allocation, account health check and adjustment and after-sales services. The Bank advanced the "four-step approach" for wealth managers. The Head Office developed a target customer recommendation model, which empowers frontline employees to quickly identify high-value customers. Together with supporting tools such as sales pitch examples and information cards, the Bank provided high-standard and low-deviation services to Fujia customers. Additionally, the Bank conducted online training "Selected Courses by the Head Office" for wealth managers across the Bank and created an online livestreaming Q&A "Wealth Management Duty Room", with a total of 20 sessions held. With a focus on the comprehensive demands of high-net-worth customers, the Bank enriched non-financial benefits, providing all-round premium services covering areas such as high-end healthcare, business travel, legal consulting, children's education and life services. It also rolled out the Dingfu service hotline at the Head Office to directly respond to frontline service needs online and in a timely manner, offering butler-style services to high-net-worth customers.

With professional companionship as the means, the Bank provided wealth management services with a human touch. Facing the fluctuations and uncertainties in the equity market, the Bank kept serving as an investment guide and companion of customers. It provided fund customers with ongoing services such as market week and activities such as health check for fund positions, at which it answered customers' questions one on one and convey the scientific investment concepts of long-term investment and value investment. The Bank realized, via systems, after-sales early-warning from multiple dimensions such as single equity fund concentration, equity fund positions, profit of held products, senior customers and customer evaluation, and by this way, it helped customers improve their portfolio structures and keep up with product benefit and sent messages to customers on risk appetite update. The Bank also held diversified and featured events for customers. It held the "Weekly Wealth Management Lecture" at outlets, continuing to help customers cultivate the concept of long-term and value investing. To respond to customers' needs for children's education, the Bank held the 2nd "Promoting Talent Growth for a Better Future" series of activities jointly with experts in college entrance examination and planning, which covered more than 270 thousand customers. Furthermore, the Bank enhanced the presence of its wealth management brand. With the theme of "Pursue a Better Life", the Bank showcased the brand "PSBC Wealth Management" via various channels such as high-speed rail media, network media and print media to enhance the feeling that the brand always accompanies customers.

Scan to watch the Bank's promotional video "Wealth Management for a Better Life"

Retail Banking Business

Retail Credit

Consumer Credit Business

The Bank promoted sustained and healthy development of the business with high-quality development and innovation-oriented development as the main tasks. As at the end of the reporting period, the balance of personal consumer loans stood at RMB2.93 trillion.

The Bank actively responded to national policies and regulatory requirements regarding residential mortgage loans. It continued to refine the online process, optimized functions such as remote mortgage application, online house viewing via mobile banking, etc., improved customer service experience, and met the needs of first-time home buyers and upgraders. As at the end of the reporting period, the balance of personal residential mortgage loans recorded RMB2.36 trillion, a net increase of RMB23,618 million.

In consumer credit business, the Bank seized development opportunities, and with innovation as the drive, strengthened refined management capacity and customer service capacity and promoted high-quality development of the business. With proactive credit extension as the lever, the Bank developed collaborative marketing capability with lead conversion at the core and vigorously expanded marketing to existing customers, empowered pre-lending marketing through proactive credit extension, and continuously enhanced the accessibility of consumer credit for residents. Seizing the development opportunities presented by green and low-carbon consumption as well as trade-in deals for consumer goods, the Bank strengthened its scenario-based service capability, and prioritized the reduction of down payment for quality customers acquired from direct-sale and tier-1 dealer channels of new energy vehicles. Together with OEMs, the Bank provided special offers for major trade-in models, and organized 1,000 on-site trade-in auto shows to meet residents' car purchase demand. By advancing product integration and process reengineering, the Bank created the brand "You Xiang Dai" (you enjoy credit), upgraded the online and offline integrated operation model, strengthened its intelligent and digital service capabilities and continuously improved customer experience. Besides, the Bank continued to strengthen its intensive operation support capability. The review and approval of all types of consumer credit in ten provincial branches were centralized in the Head Office to provide support for the development of branches.

Micro Loan Business

Taking high-quality development as the main task, the Bank continued to upgrade the credit service model, enhanced asset quality control, and promoted the digital, intensive and modernized transformation of the micro loan business.

In terms of business development, the Bank further advanced the proactive credit extension projects for Sannong business, rolled out exclusive products directly operated by the Head Office, and refined the omni-channel and multi-dimensional Head Office direct customer operation system to continuously enhance the convenience of loan application. The Bank focused on the development of specialty industries and scenarios, developed matching differentiated business solutions, and vigorously developed industrial loan business. The Bank improved the capabilities of the team of village-based customer managers, and advanced grid-based business development in strong industrial villages and populous villages in collaboration with China Post Group to enhance the Bank's penetration in the rural market. In terms of operation management, the Bank set up a digital Sannong customer operation platform and promoted full-lifecycle management and tiered operation of customers. The Bank strengthened the building of the customer manager team, built a comprehensive capability evaluation system, performed retrospective review of customer managers' levels, and implemented the three-year training initiative "Earhead Program". The Bank advanced intensive operation of micro loans. It centralized the review and approval of micro loans of 35 branches to tier-1 branches, launched the centralized review and approval in the Head Office, and promoted video-based post-lending service, which reduced manpower for review and approval by approximately 40%, and cut down the handling time per transaction with video-based post-lending service by about 90% compared to that of on-site post-lending service. In terms of risk control, the Bank intensified forward-looking risk identification and control, took initiative to identify and exit from business with high-risk customers, took solid steps to ensure that repayment funds for large-sum business are in place, actively carried out risk disposal and analyzed the causes of non-performing loans, and strictly implemented case prevention and compliance management.

As at the end of the reporting period, the Bank's outstanding personal micro loans amounted to RMB1.54 trillion, an increase of RMB142,783 million or 10.26% over the prior year-end. The non-performing loan ratio for micro loans was 1.88%, maintaining overall stability.

Credit Card Business

Fully leveraging the important role of credit cards in retail finance and taking the "Consumption Promotion Year" series of activities as an opportunity, the Bank put forth effort to forge differentiated development advantages of credit card business, comprehensively strengthened intensive operation capability and promoted steady and healthy development of the business. During the reporting period, 4,129.6 thousand new credit cards were issued and the number of credit cards in circulation reached 39,576.8 thousand. Spending via credit cards amounted to RMB503,114 million; and the delinquency ratio of credit card business was 1.73%, up by 0.02 percentage point over the prior year-end.

Strengthening innovation in credit card products and improving the marketing model

The Bank continued to step up efforts to acquire new customers, strengthened comprehensive marketing capability, especially the marketing capability of directly-operated outlets, and promoted collaboration among and integration of customer acquisition channels. With these efforts, the Bank saw steady growth in customer size. The Bank focused on comprehensive marketing scenarios at outlets, promoted process optimization and information reuse, and strengthened marketing capability building at outlets on a regular basis, helping outlets continue to expand their customer base. The Bank concentrated efforts on improving the customer structure, strengthened the training of and guidance for marketing personnel, and intensified efforts to introduce quality customers, which led to a steady rise in the proportion of quality customers. With proactive credit extension as the lever, the Bank explored marketing via intelligent outbound calls and added more than 1.2 million new customers via proactive credit extension. The Bank strengthened product innovation. It launched the Youth edition of the co-branded credit card with Luckin Coffee, offered exclusive benefits, and further strengthened the capacity for serving young customer groups.

Retail Banking Business

Enhancing customer operation capability and boosting consumer spending

The Bank actively implemented the national policies and measures for expanding domestic demand and boosting consumer spending, further improved the mode and layout of marketing campaigns, and strengthened intensive customer operation at the Head Office to stimulate customer activity and boost consumer spending. In cooperation with major payment platforms, the Bank conducted online marketing campaigns and explored new precision marketing models, engaging over 9 million person-times of card users on a cumulative basis and producing good effects. The Bank further advanced its layout of major consumption scenarios. Centering around business complexes, restaurants, supermarkets, etc., the Bank accelerated promotion of major marketing campaigns by the Head Office to create an offline card use environment and enhance the influence of the PSBC credit card brand. The Bank comprehensively advanced the building of "One County, One Mall" scenarios, with the number of complexes in partner counties (districts) surpassing 820 and covering more than 30 thousand food vendors and supermarkets, which contributed to the continuous improvement in urban and rural consumption environments.

Enhancing intensive operation and refined business management

The Bank continued to leverage its advantages in intensive operation of credit cards, strengthened the capacity for providing diversified financial services, and worked to raise both business volume and quality. The Bank actively carried out the national policy for promoting consumer goods trade-in programs, intensified marketing and promotion of products such as auto installment, merchant installment and home renovation installment, and optimized the business process and the operation model, to better meet the consumer demand for big-ticket items such as automobiles, home appliances and electronic products. During the reporting period, the amount of credit card installments grew by 20.18% year on year. The Bank stepped up efforts to build an intensive marketing system and offered differentiated products and services via various channels such as outbound telemarketing calls. It further developed its forward-looking quantitative risk control system, improved risk management strategies, optimized the risk asset structure, and kept the quality of credit card assets generally stable.

Youth edition of the PSBC-Luckin co-branded credit card

Column

Carrying out "Consumption Promotion Year" Series of Activities to Help Build a Better Life

Since the beginning of the year, the State Council has successively issued the Action Plan for Promoting Large-scale Equipment Renewal and Consumer Goods Trade-in and the Guidelines on Further Optimizing Payment Services to Enhance Payment Convenience, setting out specific requirements on promoting trade-in and optimizing financial services. In order to implement the national policies and measures for boosting consumer spending and strive to take the lead in consumer finance, the Bank carried out "Happy Spending for a Better Life" – PSBC "2024 Consumption Promotion Year" series of activities and held three major series of marketing campaigns for urban and rural consumers, i.e. "Special Offers for New Customers", "Consumption Subsidies" and "Trade-in Gift Packs", which covered businesses such as debit card, credit card, consumer credit and merchant acquiring. The activities and campaigns boosted spending and growth in payment & settlement and provided more convenience and benefits for customers in pursuing a better life.

For new customers, in terms of debit card business, the Bank attracted and acquired customers through channels of outlets, mobile banking and internet platforms, optimized the "1 plus 3" integrated contract signing process for account upgrading, enriched special offers for one-click card binding, and conducted marketing to first-time quick payment card binding customers on various payment institutions and platforms to expand consumer groups. In terms of credit card business, led by the nationwide promotional campaign "Free Gifts for New Customers Opening an Account", the Bank gave away WeChat red packets and Alipay red packets to new customers. More than 1.9 million customers participated in the campaign and subsequent spending improved significantly. The Bank launched the Youth edition of the PSBC-Luckin co-branded credit card together with Luckin Coffee, refined the risk control policy for well-educated young customers, and gave free coffee coupons to customers who spend enough. In terms of merchant business, the Bank improved the flexible pricing mechanism for new customers, developed a new product "More Acquiring, More Loan", upgraded digital solutions, and engaged in large-scale scenarios such as Sam's Club in Shanghai, "Song Dynasty Dream Business Street" and "Sleepless City of Braised Dishes" in Hunan, Sanjiang Night Fair in Jiangsu and tourist attraction Zhijin Caves in Guizhou to continuously expand coverage of consumption scenarios.

Regarding existing customers, in terms of debit card business, the Bank focused on building an "inclusive and precise" multi-dimensional marketing operation system and conducted nationwide continuous marketing centering around the seven major mainstream internet platforms such as WeChat and Alipay and the four hot consumption scenarios of "e-commerce shopping, livestreaming entertainment, local life, and travel". For customers with low transaction amounts, the Bank provided special payment offers. The electronic payment volume surpassed RMB3.6 trillion. In terms of credit card business, the Bank leveraged the advantages of intensive operation of credit cards at the Head Office and conducted precision marketing campaigns to boost activity and spending with major online platforms such as WeChat, Alipay, Douyin and Pinduoduo, which led to a significant improvement in marketing efficiency. Leveraging its widespread outlet coverage, the Bank carried out the "One County (District), One Mall" campaign in more than 800 counties (districts) across China. During the campaign, based on consumption scenarios such as restaurants, supermarkets, convenience stores and cinemas, the Bank provided various special offers on spending such as Use Credit Cards Every Week and Get Offers Every Month. In terms of merchant business, the Bank actively put in place the People's Bank of China's requirements on improving payment convenience for foreigners in China, took solid steps to improve the bank card service environment, accelerated building of foreign card acquiring scenarios, and promoted exclusive wealth management products for merchants in collaboration with China Post Group.

In terms of trade-in service, the Bank held more than 200 offline auto shows for trade-in car owners, and offered car purchase subsidies for more than 10 NEV and high-quality durable car models through partnership with OEMs such as BYD and SAIC Volkswagen. In the automobile section on mobile banking, the Bank added the "trade-in" event column and promoted the Ministry of Commerce's "Auto Trade-in" mini program in a featured page to actively meet customers' trade-in demands. The Bank implemented regulatory requirements and adjusted the down payments of auto loans and credit card installment plans for car purchase. Over RMB150 million were disbursed to the installment business of auto trade-in deals. The Bank also intensified cooperation with local governments and offered discounts on credit card installments in more than 30 large merchants or e-commerce platforms that support trade-in deals, so as to better meet the trade-in demands for big-ticket consumer goods such as home appliances and electronic products.

Scan to watch the Bank's promotional video "Happy Spending for a Better Life"

Corporate Banking Business

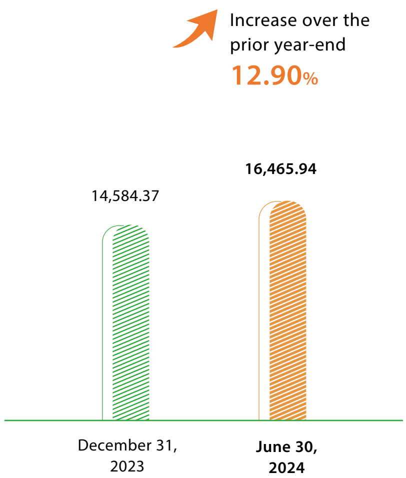
The financial product aggregate (FPA) totaled RMB**5.16** trillion, an increase of RMB**0.48** trillion over the prior year-end.

The operating income of corporate banking business was RMB**32,369** million, an increase of **13.70**% year on year.

The Bank served nearly **80** thousand sci-tech enterprises, and the balance of financing surpassed RMB**400** billion, an increase of over **40**% year on year.

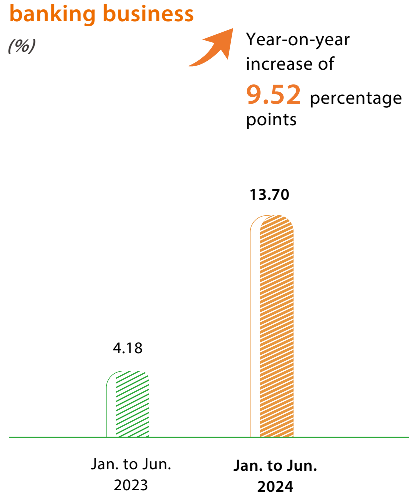
Corporate deposits

(In RMB100 million)



Year-on-year growth rate of operating income of corporate banking business

(%)



For the corporate banking business, the Bank focused on changes in market demand and highlighted its main responsibilities and core businesses. While continuously improving the quality and efficiency of financial services to the real economy, it expanded new momentum for its own high-quality development. It adhered to refined management, optimized resource allocation, continuously advanced capability building, innovation and reform, and stepped up efforts to promote the new system, which effectively empowered business development. As at the end of the reporting period, the aggregate number of corporate customers grew by 6.42% over the prior year-end. The FPA totaled RMB5.16 trillion, an increase of RMB0.48 trillion or 10.26% over the prior year-end. Corporate deposits amounted to RMB1,646,594 million, an increase of RMB188,157 million or 12.90% over the prior year-end; and the average interest rate was 1.32%. The operating income of corporate banking increased by 13.70% year on year, with the intermediary business income up by 57.80% year on year. Asset quality remained sound, with an NPL ratio of 0.54%.

Developing Business System

Comprehensively Deepening the New “1 plus N” Operation and Service System

Strengthening the tiered and categorized management of customers. The Bank continued to improve the tiered and categorized customer service system and served customers in a comprehensive and targeted manner. It enhanced staffing of specialized personnel in institutions and teams directly managed by tier-1 and tier-2 branches, and took concrete measures to advance the management of key clients at a higher level. Based on the lead-bank customer pool, the Bank strengthened the full-process closed-loop service and accelerated the cultivation of clients with the Bank acting as the lead bank. As at the end of the reporting period, the number of corporate clients with the Bank acting as the lead bank increased by 48.08% over the prior year-end.

Forging customer managers’ service capabilities. The Bank promoted the deep integration of corporate customer managers, unlocked personnel efficiency, focused on upstream and downstream chain-style and scenario-based marketing, and provided customers with life cycle companion services. The Bank conducted the “Battle It Out” labor emulation to forge and enhance customer managers’ service capabilities through practical application. It optimized the performance evaluation mode to stimulate the enthusiasm and enterprise of customer managers as well as middle-office and back-office personnel in work.

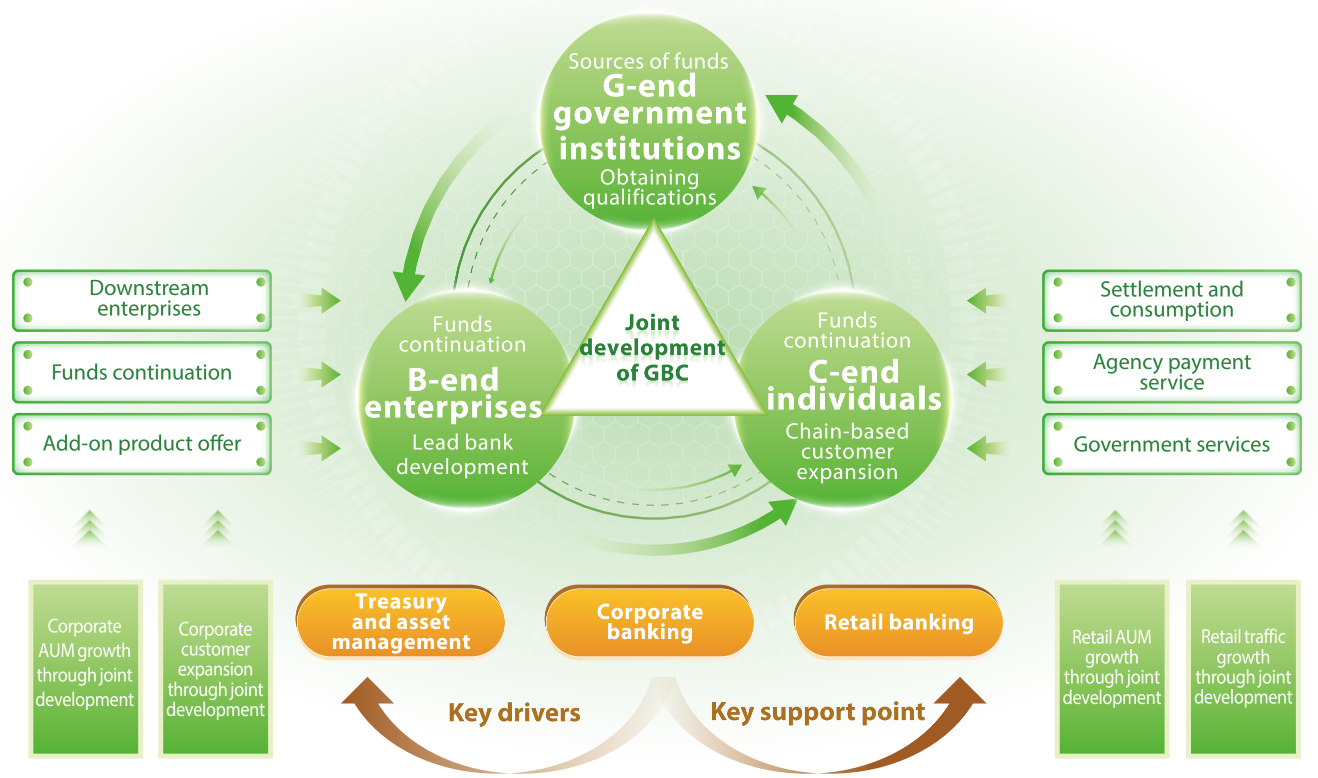
Providing differentiated and distinctive services. The Bank met clients’ diversified needs by leveraging the advantages of the team-based operation mechanism and coordinating expert resources from departments in charge of clients, products, risks, and technology. It continued to expand the scope of application of the “future-oriented” model and intensified its application. The Bank thoroughly assessed the industry prospects and the actual operations of clients, provided differentiated and distinctive credit extension solutions, and improved service quality and efficiency.

Coordinating and promoting the joint development of GBC (Government, Business, Consumer). With a focus on 33 key scenarios such as local government bonds, agency payment, and supervision of migrant workers’ wages, the Bank served the G end (government), linked with the B end (business), reached the C end (consumer), and further enhanced the capacity of corporate banking in driving businesses. The Bank built a full-chain, life-cycle customer service ecosystem featuring integrated services, two-way empowerment and three-end collaboration, pooled efforts to shape system-based and ecosystem-based development advantages, and promoted high-quality development through high-quality collaboration. PSBC Hunan Branch contributed to the development of pension finance with innovative means. It launched the the Bank’s first fund supervision platform for elderly care institutions, utilized products such as Easy Corporate Link, Easy Corporate Collection, and Easy Corporate Payment in combination, supported the requirements of local governments and civil affairs departments for regulated supervision of the operations of elderly care institutions. At the same time, PSBC Hunan Branch provided convenient payment and settlement channels for a wide range of elderly care institutions, the elderly, and their guardians.

Corporate Banking Business

Strengthening the Innovative Application of Three-dimensional Marketing for Corporate Clients

The Bank continued to optimize the "online + offline + remote" three-dimensional marketing model, deeply cultivated the concept of digital, intelligent and intensive development of corporate client marketing, and solidified the data base. The Bank further enriched customer profiles based on their behavioral characteristics via online channels, and laid a solid foundation for three-dimensional marketing data analysis. The Bank connected the data middle platform, remote banking and CRM platforms within the Bank and formed data transmission links, and realized online full-process and closed-loop management of business opportunities, with automatic information transmission, distribution and statistics. The Bank deepened its operations in the four major target marketing scenarios of "acquiring new customers, exploring potential customers, retaining existing customers and developing customers with the Bank acting as the lead bank" and flexibly applied digital and intelligent marketing tools such as intelligent recommendation, remote outbound call and CRM platforms to design marketing strategies. It prioritized business cooperation intentions, further captured precise business opportunities, expanded the intensive operation path of SMEs and long-tail customer groups, and further deepened the digital transformation of corporate client marketing.



Column

Promoting Common Development with Customers as Their Partner and Lead Bank with Tiered, Categorized and Refined Services

The Bank continued to refine the tiered and categorized customer service system, optimized the "online + offline + remote" three-dimensional marketing model, developed "SPREAD" digital and intelligent marketing tools, established the closed-loop process of SELECT (identifying target customers), PLAN (formulating marketing plans), RELOCATE (distributing business opportunities), EXECUTE (executing business opportunities and giving feedback), ASSESS (assessing service quality and efficiency) and DEVELOP (continuing to expand customers in depth), applied in depth two marketing methods including "customer lists" and "digital grids", and provided efficient and targeted services to corporate customers. As at the end of the reporting period, the aggregate number of corporate customers increased by 6.42% over the prior year-end.


The Bank provided in-depth services for industrial parks, and actively supported the development of a modern industrial system.

Focused on customers in key areas such as modern industrial system, rural revitalization and new quality productive forces, the Bank provided differentiated and distinctive closed-loop services such as credit review and approval as well as authorization, credit extension throughout the process based on the lead bank customer pool, deeply integrated into the customers' business ecosystems and led the establishment of a partnership to achieve co-development. As at the end of the reporting period, the number of clients with the Bank acting as the lead bank grew by 48.08% over the prior year-end. The Bank deepened its efforts on financial service in industrial parks through connecting the management committee of industrial parks at the source, cooperating with the entity responsible for construction and operation, serving customers in key industrial chains and empowering the construction of financial ecosystem with technology, which provided active support for the cultivation of clients with the Bank acting as the lead bank.

With a focus on "industrial park plus" scenarios, **Jiangsu Branch** of the Bank established featured sub-branches of industrial park services and organized specialized service teams. Centering around industrial park construction and operation, investment attraction, upgrading of supporting services and the diversified needs of core enterprises in industrial parks and the customers in upstream and downstream chains, the branch worked out comprehensive financial service solutions and provided full-process, multi-contact and high-frequency refined services. One of Jiangsu high-tech industrial development zones is a provincial-level high-tech zone with a number of high-tech companies, "little giants" that use specialized and sophisticated technologies to produce novel and unique products, potential unicorn enterprises and gazelle companies. It has formed a "2 + 2 + X" industrial cluster system covering power batteries, new types of electrical and new energy equipment, intelligent high-end stainless steel manufacturing, etc. Jiangsu Branch took a combination of measures to continuously improve the depth and breadth of cooperation between customers and the Bank. First, supporting industrial park construction and operation. The branch fully supported projects such as the construction of new infrastructure, the renovation and upgrading of industrial parks, as well as the enhancement of industrial park functions, etc. and actively met contractor enterprises' daily working capital needs. Second, providing in-depth services to core industries in industrial parks. The branch enhanced support for core enterprises and conducted chain-style marketing to core enterprises. Meanwhile, it comprehensively served upstream and downstream SMEs of core enterprises' chains, supported advanced manufacturing clusters in strengthening, filling gaps in and extending their industrial chains, and helped boost transformation and upgrading of industries in industrial parks. Third, providing inclusive financial services. The branch promoted innovation in the product "Industrial Park Guarantee" with guarantee companies, which helped industrial parks incubate enterprises. It increased supply of credit products such as "Sci-Tech Innovation E Loan" to support the operation and development of enterprises such as sci-tech enterprises and specialized and sophisticated enterprises that produce novel and unique products. Fourth, striving to become a bank by the side of enterprise employees. The branch provided a package of financial services including payroll service, personal credit card, consumer loan and wealth management services to meet enterprise employees' diversified needs. As at the end of the reporting period, Jiangsu Branch served more than 60 high-tech companies in industrial parks and cultivated 13 clients with the Bank acting as the lead bank.

Corporate Banking Business

Product and Service Innovation

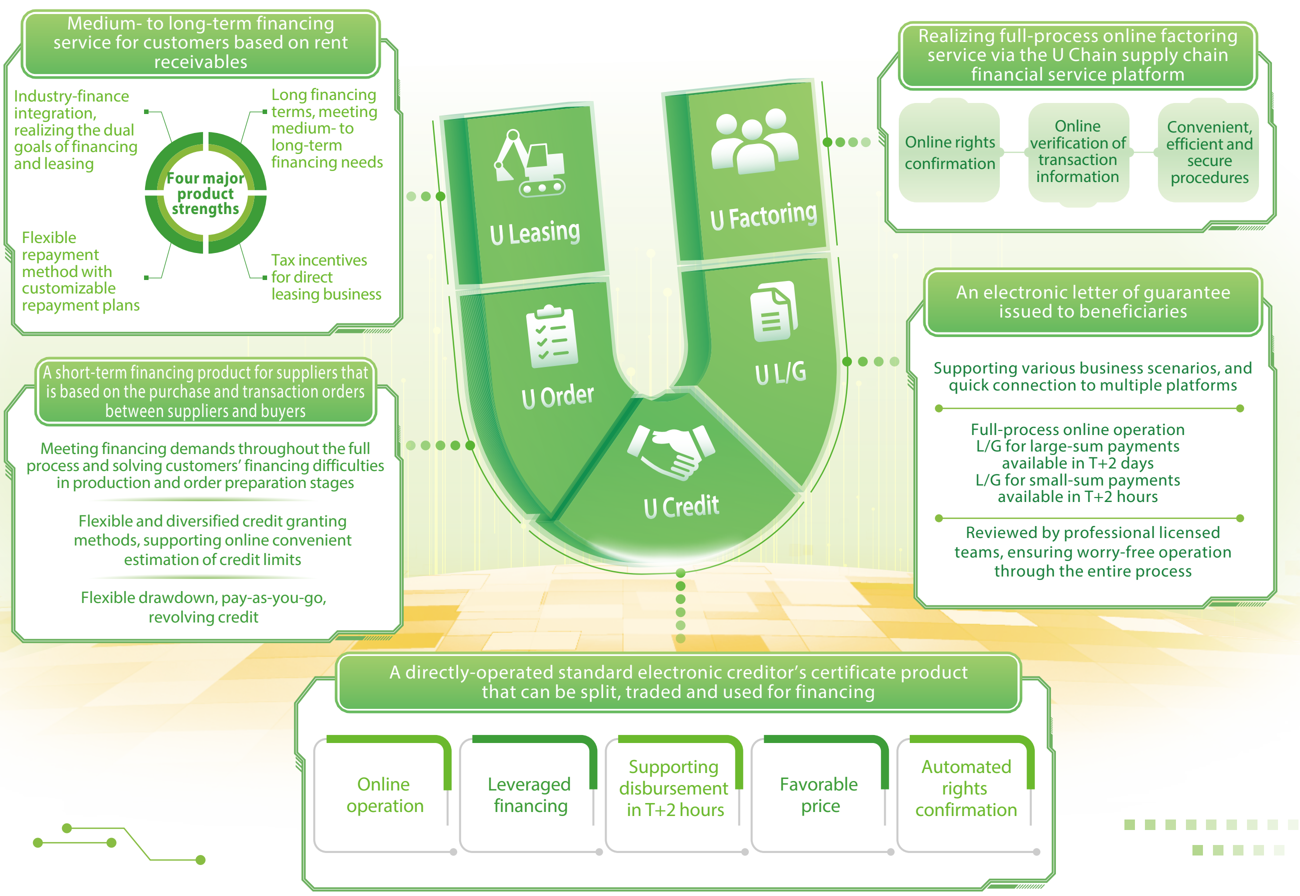
Treasury Management and Channel Services

Intensifying efforts to optimize the settlement and cash management process and build an intelligent operation model. Aiming at the treasury management goal of ensuring liquidity, profitability and security of customers' funds, the Bank promoted the brand new cash management service platform along with the development of the new generation corporate banking core system. Through "product innovation, process reshaping, channel expansion, and experience optimization", the Bank built a new digital and intelligent cash management product and service system, strengthened customer fund management capability, and helped enterprises achieve cost reduction, efficiency enhancement, and value creation. As at the end of the reporting period, the number of contracted clients of cash management business totaled 835.2 thousand, an increase of 51.8 thousand over the prior year-end.

Innovating service models and building a service ecosystem of "digital inclusion". The Bank deepened the customer-centric concept, built an "Easy Corporate" service matrix that includes "Easy Corporate Business, Easy Corporate Management, Easy Corporate Collection, Easy Corporate Payment and Easy Corporate Link", and strengthened enterprises' capabilities to deal with the collection, payment and management links of upstream and downstream fund chains by digital and intelligent means. The "PSBC Facilitates Corporate Operation" platform realized quick user registration and seamless switch and login by linking channels such as corporate online banking, the U Chain platform and fee payment. Based on the differentiated demands of SME customers, the Bank developed typical service solutions for customers in the pharmaceutical chain industry, the trade, wholesale and retail industry as well as the construction and engineering industry. The Bank comprehensively strengthened scenario-based operation support by online means such as remote banking inbound customer service, online consultation service and remote customer assistance. With those efforts, a total of 43.0 thousand enterprises signed contracts with the Bank. Through the self-built "Easy Corporate Management" fund supervision cloud service platform, the Bank developed 11 scenario-based services including supervision of railway construction funds and supervision of high-standard cropland development funds, etc., and provided SaaS (Software as a Service) that regards fund supervision accounts as the core of management and fund flows as process clues and manages the use and transfer of special-purpose funds; and the Bank ensured the security of customer fund use with digital, intelligent and customized management and control strategies and functions such as risk warning. As at the end of the reporting period, the scale of funds under supervision totaled nearly RMB100 billion on a cumulative basis.

Improving digital and intelligent products for trade financing supply chains and refining the financing service system across all scenarios. The Bank optimized the electronic letters of guarantee platform 3.0, established a non-standard L/G text library, realized intelligent matching of non-standardized texts through intelligent warehousing and intelligent screening, and performed paperless review process, which improved customer experience. The Bank upgraded the industrial chain scenario-based financial service platform, advanced the "One Thousand Chains and Ten Thousand Enterprises" action plan centering around eight major industrial customer groups, and promoted the development of industrial finance with the "online plus offline" industrial chain financial services, products and solutions system.

The Bank accelerated the development of the supply chain industry-finance cooperation ecosystem, continued to promote connection with large core enterprises and supply chain finance platforms, and together with them, supported the development of chain enterprises with convenient online supply chain services. The Bank created the brand "U Chain Intelligent Integration", which, with the "U Chain" system at the core, has combined key products such as "U Factoring" "U Order" and "U Leasing" to strengthen intelligent comprehensive financial service capabilities for industrial chains. The Bank promoted development independent from the core enterprise for credit limits, launched "online limit approval + online recommendation and rights confirmation" full-process online financing and enriched financing scenarios across the entire industrial chain. As at the end of the reporting period, the number of valid customers of supply chain finance grew by 31.09% over the prior year-end and the number of external platforms linked up with the Bank's systems increased by 45.00% over the prior year-end.



Corporate Banking Business

Financing, Credit Facility and Advisory Services

The Bank deepened coordinated operation of commercial banking and investment banking, adopted the new "1 plus N" operation and service system for corporate banking, actively gave play to the advantages and role of investment banking in empowering the development of businesses with less capital consumption, and provided "financing, advisory and credit facility" integrated financial services with a customer-centric approach. During the reporting period, intermediary business income of investment banking recorded RMB2,434 million, up by 49.05% year on year.

Centering on national strategies and promoting innovation-oriented development. With a focus on areas targeted by national strategies and policies, the Bank consolidated basic scenarios, built featured scenarios, developed new types of scenarios, and worked to develop core competitiveness. In terms of bond financing, the Bank strengthened business innovation and actively served the real economy. During the reporting period, the Bank underwrote 16 private enterprise bonds with a total amount of RMB9,875 million, ranking 6th in the market. It supported private enterprises' financing by creating credit risk mitigation warrants. In terms of syndicated financing, the Bank gave priority to supporting advanced manufacturing, green finance, rural revitalization and the private sector, and expanded new business opportunities in areas such as urban renewal, industrial parks and local debt restructuring. The Bank took the lead in launching a batch of demonstration projects such as ecology-oriented development (EOD) mode projects, distributed photovoltaic power generation projects and high-standard cropland development projects. In terms of M&A finance, the Bank focused on cultivating value discovery capability to identify quality SOEs, listed companies, quality assets and major restructuring and integration projects. The Bank handled a number of M&A finance projects for the action plan to deepen the reform of SOEs as well as to extend, strengthen, and supplement the industrial chains.

Putting idle assets into use and facilitating risk mitigation. The Bank strengthened empowerment through investment research, put idle assets into use and mitigated risks through asset securitization, actively participated in the pilot innovation of asset-backed debt financing instruments, and took a combination of measures to help enterprises put idle assets into use. The Bank achieved remarkable results in innovation of quasi-REITs (Real Estate Investment Trusts). It launched the first interbank green commercial office building quasi-REITs in China, the first sci-tech innovation quasi-REITs in China, etc.

Focusing on capital saving and strengthening capability to offer financing services with less capital consumption. The Bank actively gave play to the advantages of businesses with less capital consumption such as bond underwriting and transaction matchmaking for non-banking institutions, and led syndicates to leverage market funds with a small amount of its own funds. With diversified investment banking tools and comprehensive solutions, the Bank met customers' financing needs and expanded the FPA scale and improved FPA structure. During the reporting period, the amount of bond underwriting reached RMB184,582 million, up by 26.26% year on year; and the number of syndicated loans with the Bank serving as the lead bank accounted for 53.01%, up by 2.35 percentage points year on year. The Bank diversified financing channels for customers. Through collaboration within China Post Group and with other financial institutions, the Bank expanded non-banking matchmaking service scenarios for clients such as insurance asset management, securities, leasing and equity.

Building a Technology Finance Ecosystem

The Bank held government-bank-enterprise service activities in various forms with the Torch High Technology Industry Development Center of the Ministry of Industry and Information Technology, the China Center for Promotion of SME Development and Shenzhen Stock Exchange, to continuously build a technology finance ecosystem with effective service integration.

The Bank and the Torch High Technology Industry Development Center of the Ministry of Industry and Information Technology jointly launched "Led by Torch, PSBC and Enterprises Advance Together" series of activities to empower high-quality development of science and technology industrial parks in Jiaxing City, Zhejiang Province, and signed a strategic cooperation agreement. The two sides planned to complement each other's advantages and share resources, worked together to explore a new model for deeply integrating sci-tech innovation and financial services and provided all-round, multi-tiered financial services for enterprises in industrial parks.

Together with the China Center for Promotion of SME Development and Shenzhen Stock Exchange, the Bank held the "One Month, One Chain" and PSBC – V-Next financing roadshows for specialized and sophisticated SMEs that produce new and unique products in Changsha and Xi'an, which enriched sci-tech enterprises' financing channels and met their comprehensive financing needs. Over the past year, the Bank has held eight roadshows in provinces such as Zhejiang, Shandong and Guangdong. Nearly 50 sci-tech enterprises and more than 150 venture capital institutions attended the events on-site. The events effectively addressed sci-tech enterprises' equity financing needs.

Boosting Efficiency of Serving the Economy

Promoting coordinated regional development. The Bank actively channelled funds toward strategic regions, key industries and key projects, supported national strategies for the development of key regions, contributed to the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze Economic Belt and the integrated development of the Yangtze River Delta, and promoted the development of the Xiong'an New Area and the Chengdu-Chongqing economic circle. As at the end of the reporting period, the corporate loans to key regions grew by 15.15% over the prior year-end.

Enhancing targeted support for advanced manufacturing. The Bank served the manufacturing powerhouse strategy, and kept pace with the nation's efforts in beefing up self-reliance and strength in science and technology and advancing industrial transformation and upgrading. Centering around the upgrading of traditional industries, expansion of emerging industries and cultivation of future-oriented industries, the Bank continuously optimized its customer structure and asset structure, actively contributed to the development of a modern industrial system, and empowered cultivation of new quality productive forces. As at the end of the reporting period, the medium- and long-term loans to the manufacturing sector increased by 11.68% over the prior year-end.

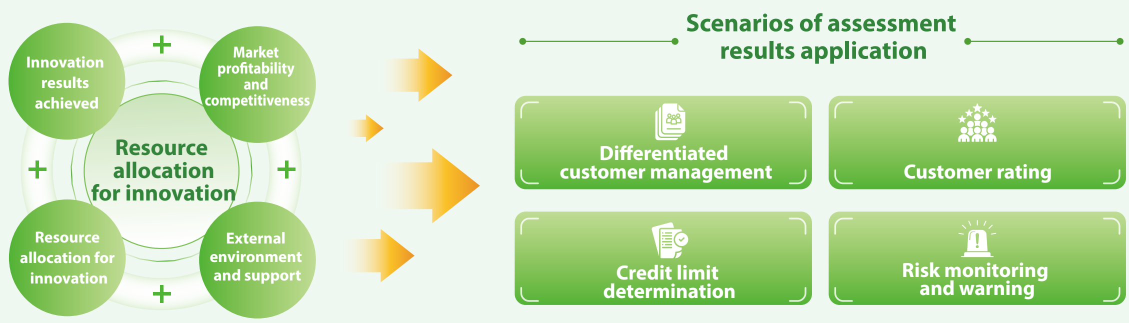
Strengthening the specialized service capacity for technology finance. The Bank built a multi-tiered technology finance service organizational system that comprises specialized institutions (Technology Finance Department), featured institutions (featured sub-branches/outlets) and demonstration institutions (flagship stores). On June 18, PSBC Hebei Branch's first technology finance flagship outlet Xiong'an Minglang Street Sub-branch was officially opened, becoming the Bank's technology finance physical stronghold that serves the Beijing-Tianjin-Hebei region. The Bank established an innovation capability assessment system for sci-tech enterprises, further enriched the "future-oriented" review and analysis method, and focused on serving "high-growth" sci-tech enterprises with enormous strength in technology and great growth potential. As at the end of the reporting period, the Bank served nearly 80 thousand sci-tech enterprises, with a financing balance of over RMB400 billion, up by over 40% year on year.

Corporate Banking Business

Column

Building an Innovation Capability Assessment System for Sci-tech Enterprises and Empowering Enterprises' Growth

As sci-tech enterprises have distinctive characteristics of "light assets, difficult to assess, high technology and early cycles", financial institutions in the banking industry faced problems when serving sci-tech enterprises in that they cannot easily get credit limits of sci-tech enterprises out of the current evaluation system and that the credit limits of tech enterprises were low. The Bank actively implemented the national innovation-driven development strategy and supported the national efforts to achieve greater self-reliance and strength in science and technology. With a focus on the all-round financing needs of sci-tech enterprises and the pain points and difficulties faced by them, the Bank established a capability assessment system for sci-tech enterprises, which covers four categories including innovation results achieved, market profitability and competitiveness, resource allocation for innovation, and external environment and support, with 18 indicators involved. On the basis of focusing on the traditional "fund flow" assessment indicators, the system comprehensively assesses sci-tech enterprises' technological innovation capability and long-term growth prospects by analyzing their intellectual property rights, capability in commercialization of technological outcomes, industry position, competitiveness of core products, R&D investment, personnel input, government support and other "technology flow" factors, which provides reference for customer on-boarding, credit extension decision-making and design of service solutions, thus effectively solving the problems of on-boarding of and credit extension to sci-tech enterprises.



A Shanghai-based technology company is a leader in the segment market of shale gas exploration related equipment in China. Affected by factors such as high R&D expenditures, the credit limit determined using the traditional credit extension model was low and thus could no longer meet customer demand. **Shanghai Branch** of the Bank assessed the company by actively using the innovation capability assessment system for sci-tech enterprises and believed that it had great strength in technology and promising growth prospect, so the branch raised the credit limit accordingly and provided the company with a package of services including credit financing, financial company bills and commercial acceptance bills, to meet the company's diversified financial demands in its rapid development stage. As at the end of the reporting period, the innovation capability assessment system for sci-tech enterprises was already piloted and applied in regions with a concentration of such enterprises, including Beijing, Shanghai, Jiangsu, Zhejiang, Anhui, Shenzhen, etc., which empowered sci-tech enterprises' growth.

Supporting enterprises' green and sustainable development. The Bank actively promoted green finance business, and increased credit supply in areas such as green manufacturing, green transportation, green buildings, energy conservation and environmental protection, etc. The Bank explored innovation in transition finance business. Centering around traditional industries' needs to transform and upgrade toward green, high-end and intelligent industries, and taking into consideration of regional and scenario characteristics, the Bank integrated the ESG concept into its services and developed new service models based on the featured product of sustainability-linked loans. The Bank issued the country's first "ESG loan plus insurance" and the first ESG sustainability-linked loan for ASEAN enterprises in Guangxi, which was a new template of finance-empowered low-carbon development. The Bank became the chair institution of the Green Finance Committee of the China Private Enterprises' Alliance for Green and Low-carbon Circular Economic Development. As at the end of the reporting period, wholesale green loans grew by 10.19% over the prior year-end.

Providing financial support to advance rural revitalization on all fronts. Aiming at the goal of building up China's agricultural strength, the Bank applied the experience from the Green Rural Revival Program in Zhejiang Province to support rural revitalization on all fronts. The Bank increased credit supply to key areas such as high-standard cropland, modern protected agriculture, wholesale market of agricultural products and rural infrastructure. Meanwhile, with a focus on key areas such as grain industry, animal husbandry and breeding industry, agricultural product processing industry and farm products distribution, the Bank supported the healthy development of the agricultural industrial chain. As at the end of the reporting period, agriculture-related corporate loans grew by 13.96% over the prior year-end.

Helping foster a new development model for real estate. The Bank, with a clear understanding of the political nature and people orientation of China's real estate policy, fully implemented the requirements of the urban real estate financing coordination mechanism, and met the reasonable financing demands of real estate enterprises of different ownerships. The Bank enriched and improved the product system and developed new products for government-subsidized housing, rebuilding of urban villages, infrastructure of dual use for both peacetime and emergency, etc. The Bank optimized business property loans and corporate rental housing loans to offer extended financial services. The Bank steadily expanded support for urban renewal and took solid steps to improve the quality and efficiency of financial services in supporting the real economy. The Bank struck a balance between business development and risk control, defused risks in an orderly manner, and promoted positive circulation between finance and real estate.

Treasury and Asset Management Business

The asset size of treasury business reached RMB**6.46** trillion.

Assets under custody exceeded RMB**5** trillion, which registered the largest increase since 2017, and the year-on-year increase of fee income was better than the industry average by **10.86** percentage points.

The scale of wealth management products amounted to RMB**957,325** million, an increase of **23.29**% from the prior year-end.

The Bank focused on building a differentiated growth pole of the financial market business, advanced the building of an interbank ecosystem with a customer-centered approach, provided one-stop integrated financial services through relevant platforms, activated the value creation momentum of the interbank ecosystem with data as the engine, continuously optimized the business structure and enhanced the quality and efficiency of development. **The interbank ecosystem continued to be enriched.** Through the three-dimensional and two-layer ecosystem scenarios available both online and offline, the Bank created a comprehensive suite of products and services covering assets, liabilities, and intermediary income businesses, and further deepened cooperation with interbank clients. **Interbank service channels continuously improved.** An integrated business layout of "seven halls and three zones"[1] was established on the "Together We Thrive" interbank ecosystem platform, with service capacity and added value continuously enhanced. The "Together We Thrive" app was launched, providing interbank clients with one-stop comprehensive financial services that offer higher-activity scenarios, stronger value creation, and better user experience through mobile office solutions. As at the end of the reporting period, the platform had over 2.4 thousand registered institutions, which contributed to a cumulative trading volume of over RMB3.5 trillion. **Interbank business commenced its digital and intelligent development.** With the goal of serving the development of the interbank ecosystem through mutual benefits and sharing, the Bank published a series of reports titled PSBC Insight. With the help of cutting-edge technologies such as artificial intelligence (AI), large models, and cloud computing, the Bank built a data intelligence analysis framework to provide in-depth industry analysis, accurate institutional profiling, and forward-looking data services for interbank clients.

1 "Seven halls and three zones" refer to the Billing Hall, Treasury Hall, Fund Hall, Wealth Management Hall, Bond Hall, ABS Hall and Custodian Business Hall, as well as Insight Zone, Investment Research Zone and Member Center.

Financial Interbank Business

Interbank Investment and Financing Business

During the reporting period, the Bank actively seized market opportunities, optimized the investment and financing asset structure, and continued to enhance the quality and efficiency of operation and development. In terms of financing business, the Bank actively contributed to the standardized and regulated transformation of the interbank business, with the size of online interbank deposits increasing by 71.01% year on year. It enriched the types of pledge and collateral for interbank deposits and continued to expand the coverage of interbank customers, with the size of pledged interbank deposits surging by 84.68% year on year. As to investment business, while maintaining a comprehensive balance among security, liquidity, and profitability, the Bank enhanced its capability of managing fund investment, with the non-interest income going up by 21.61% year on year. Meanwhile, it supported the creation of a green bond index fund which was in line with international standards and led the domestic market in accordance with the Common Ground Taxonomy of Sustainable Finance, so as to facilitate the development of the domestic green bond market; and it tapped opportunities of allocation to asset securitization, with the size of investment in asset securitization rising by 8.82% year on year. The Bank drove the coordinated development of businesses including underwriting, custody, deposits, and loans through the investment business. Therefore, comprehensive returns continued to improve.

Billing Business

The Bank continuously advanced the digital transformation of the billing business and trading transformation, and constantly improved business management as well as the quality and efficiency of customer services. During the reporting period, focusing on the billing needs of high-quality enterprises, the Bank made steady progress in advancing commercial acceptance bill discounting business. Relying on the "Together We Thrive" interbank ecosystem platform, it built an online billing ecosystem of intelligent investment research, automatic processes and intensive management, ranking high in the market by transaction activity. During the reporting period, the billing transactions amounted to RMB2,310,778 million, up by 27.12% year on year.

Depository Business

The Bank consistently provided customers with diversified depository and settlement services in securities, futures, gold, and insurance asset management. As at the end of the reporting period, the Bank carried out in-depth cooperation with nine financial institutions including exchanges and settlement firms, as well as 150 financial institutions including securities, futures and insurance asset management companies, with a total of 8.9 million clients, which represented an increase of 2.65% over the prior year-end. During the reporting period, the Bank's treasury depository transactions amounted to RMB1.51 trillion, of which primary settlement transactions amounted to RMB1.15 trillion and secondary settlement transactions amounted to RMB0.36 trillion.

Treasury and Asset Management Business

Column

Publishing PSBC Insight Series of Reports Which Showed the Initial Success in Building a Digital and Intelligent Interbank Ecosystem

In June 2024, upholding the concept of "shared journey, common progress, and win-win results", the Bank upgraded its "Together We Thrive" interbank ecosystem platform and launched the PSBC Insight report series. As a result of the Bank's active exploration and practice in the field of interbank financial data, the PSBC Insight report series aim to efficiently extract data from annual reports by using natural language processing capabilities. Based on over 1,000 data labels, PSBC Insight – Banking Industry Data Analysis Report 2023 as well as PSBC Insight – Institution-Exclusive Data Analysis Report 2023 covering more than 100 banking institutions were generated using AI technology.

Based on the data from over 500 sample banks, PSBC Insight – Banking Industry Data Analysis Report 2023 conducts analysis from multiple dimensions, including assets, liabilities, profitability and risks, and provides a panoramic view of the banking industry's operation and development. By relying on the database, the report supports flexible selection of comparable samples to calculate mean values, and presents trend analysis such as changes in growth rates and structural composition, providing financial professionals with profound insights into the development of the banking industry.

PSBC Insight – Institution-Exclusive Data Analysis Report 2023 showcases the positioning of the exclusive institution among comparable peers of the same type, in the same region and with similar asset sizes, further refining customer profiling. The Bank developed the Thriving Together Index to provide insights into the cooperation and interaction between the Bank and its customers, unlock potential for cooperation, quantitatively assess the value of cooperation, and explore future cooperation opportunities.

Financial Market Business

In terms of the financial market business, the Bank, based on the country's overall development, closely followed strategic plans, actively seized market opportunities, dynamically optimized asset allocation, continuously strengthened risk management, and steadily boosted business returns and core competitiveness.

Trading Business

In terms of the money market, the Bank fulfilled its responsibilities as a major bank, provided liquidity support for the interbank market, facilitated the transmission of monetary policies, and actively participated in open market operations. While ensuring its position and liquidity security, it grasped the patterns of market fund fluctuations, intensified proactive management, and enriched trading strategies and tools to steadily enhance the efficiency of fund utilization and the level of liquidity management.

In terms of trading and market-making, the Bank continuously improved its system of technology finance, advanced the transformation of its trading business, enriched trading strategies, and explored product innovation. Relying on the advanced functions of the electronic trading system, the trading business shifted toward automated, program-based, and intelligent operation. Consequently, the activity of market-making transactions steadily increased. During the reporting period, the average balance of local currency bond trading gained by 17.04% year on year; the standard bond forward business gradually strengthened, with the trading volume of interest rate swaps expanded steadily; and the Bank successfully joined the ranks of market-making quotation institutions for standard bond forwards and gained increasing market influence.

In terms of precious metals business, the Bank focused on precious metals swaps and interbank lending, fully tapped market opportunities, actively expanded counterparties, and continuously explored diversified trading strategies to enhance trading activity and influence. During the reporting period, the trading volume of precious metals in the domestic market increased by 139.94% year on year, and the Bank was awarded the titles of "Best Quotation Trading Institution" and the "Best Business Innovation Contribution Institution".

Bond Investments

The Bank implemented major decisions and plans of the country, vigorously supported the transformation and upgrading of the real economy, made extensive efforts to develop the "five priorities", optimized the investment in high-quality credit bonds and business layout, and increased bond investments in areas such as SMEs, Sannong, technological innovation, advanced manufacturing, and green and low-carbon development to serve the high-quality development of the economy. During the reporting period, the volume of the Bank's bond investments in support of rural revitalization went up by 93.57% year on year. Meanwhile, guided by the concept of green development, the Bank actively invested in green bonds, and has been awarded the title of "Excellent Institutional Investor of ChinaBond Green Bond Index" for five consecutive years. Moreover, while contributing to the high-standard opening up of China's financial market, the Bank was deeply involved in building Hong Kong into an offshore RMB hub, and vigorously promoted bond investment under the Southbound Bond Connect scheme, leading the performance of peers in terms of the investment scale of offshore RMB bonds.

Treasury and Asset Management Business

Pursuing a strategy-first and risk-oriented approach, the Bank tracked interest rate movements, strengthened market research and assessment, scientifically formulated business strategies, rationalized the structure of bond varieties and portfolio maturities, and dynamically adjusted the pace of bond allocation, maintaining a stable rate of return in an environment of generally declining market interest rates. As at the end of the reporting period, the Bank's bond investments amounted to RMB4,288,676 million, an increase of RMB212,486 million, or 5.21%, compared with the end of the previous year.

Asset Management Business

The Bank actively seized the opportunities for the development of asset management business, followed a pathway of digitalized, intelligent, refined, and integrated development, implemented the principles of "stabilizing growth, adjusting structure, strengthening marketing efforts, preventing risks, and advancing transformation to attain high-standard, high-quality development", and achieved reasonable growth in the quantity and effective enhancement in the quality of wealth management business. As at the end of the reporting period, the Bank's wealth management products amounted to RMB957,325 million, of which the net-value products totaled RMB918,947 million, representing 95.99% of the total. See "Business Overview – Majority-owned Subsidiaries – PSBC Wealth Management" for the development of asset management business.

Custody Business

During the reporting period, the Bank actively responded to market impacts, including fluctuations in the capital market and declining fee rates, strengthened proactive marketing efforts, and focused on transformation and innovation. The assets under custody crossed the RMB5 trillion mark for the first time, reaching RMB5.06 trillion, with an increase of RMB374,055 million, the highest since 2017. The year-on-year increase of fee income from custody business was better than the industry average by 10.86 percentage points. During the reporting period, the Bank actively contributed to the development of green finance, and successfully provided custodial service to the first energy industry renewable asset-backed securities (ABS) on the Shenzhen Stock Exchange, green and low-carbon themed mutual funds, and other products. The Bank accelerated the development of five major platforms for custody business to propel its digital and intelligent transformation. Moreover, the Bank fully realized the direct system link with seven major trading and clearing institutions, including China Securities Depository and Clearing Corporation (CSDC), China Central Depository & Clearing Co., Ltd. (CCDC) and Shanghai Clearing House, which took the custodian operations and services to a new level.

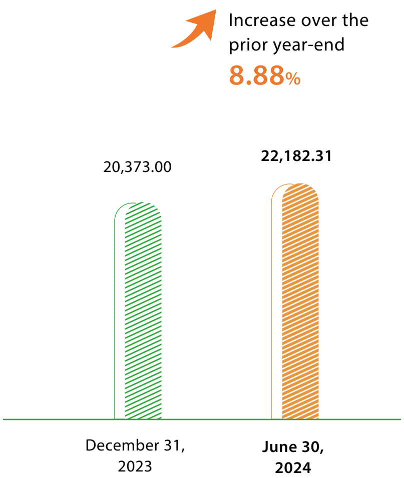
Inclusive Finance

The balance of industrial loans was RMB**220,582** million, a net increase of RMB**88,103** million in the year.

Relying on the "PSBC Facilitates Corporate Operation" platform to empower the digital transformation for SMEs, **Hainan Branch, Sichuan Branch, and Shandong Branch** have been selected as local service providers in pilot cities for digital transformation.

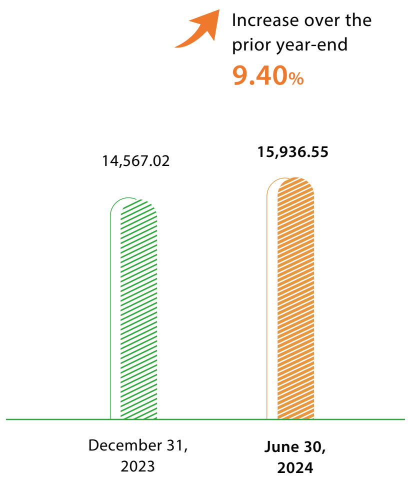
Agro-related loans[1]

(In RMB100 million)



Inclusive loans to MSEs

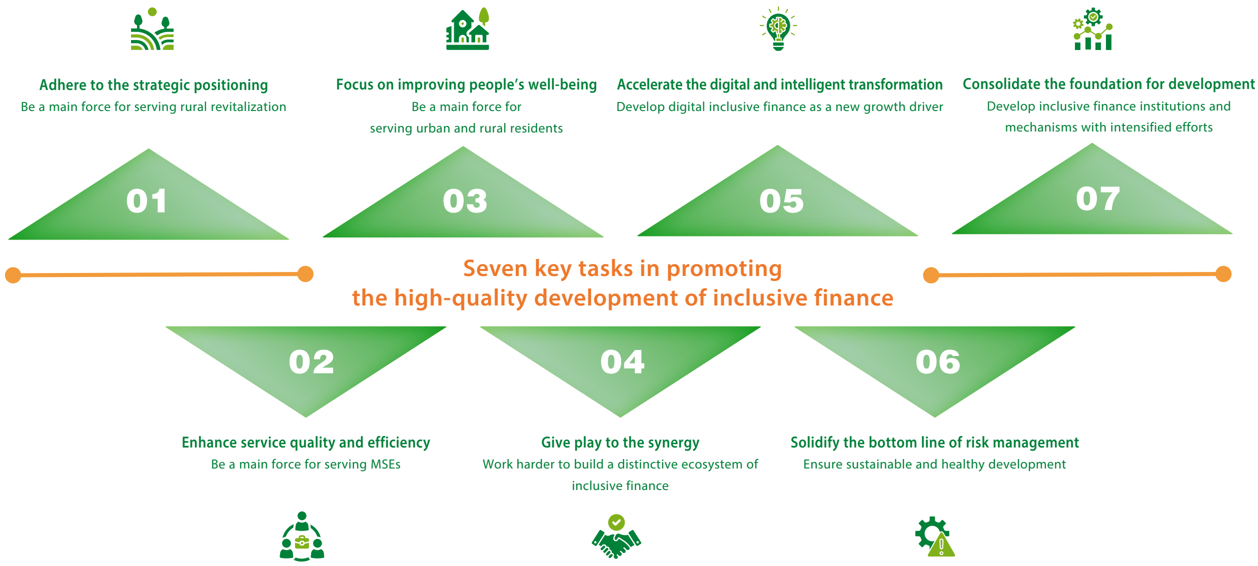
(In RMB100 million)



The Bank thoroughly implemented the guiding principles from the Central Financial Work Conference to develop inclusive finance with solid efforts. With the goal of "building PSBC into a main force for rural revitalization and a comprehensive service provider of inclusive finance", the Bank made further progress in establishing a long-term mechanism of inclusive finance, fully leveraged its technological strength and service penetration, and made innovations in diversified service scenarios. Focusing on pain points and difficulties, the Bank strove to enhance the quality and efficiency of its services in the fields of Sannong and MSE finance. As at the end of the reporting period, the balance of the Bank's agro-related loans amounted to RMB2.22 trillion, and the balance of its inclusive loans to MSEs totaled RMB1.59 trillion, both of which ranked among the top state-owned large banks in terms of their percentage in total loans to customers.

1 The statistical standard of agro-related loans follows the Notice on Printing and Distributing the Revised Financial Statistics of Financial Institutions for the Year 2024 by the Statistics and Analysis Department of the People's Bank of China (Yin Diao Fa [2024] No. 2).

Inclusive Finance



The Bank issued the Work Plan on Promoting High-quality Development of Inclusive Finance, which required it to take high-quality development of inclusive finance as the primary goal, reform and innovation as the driving force, serving the real economy as the purpose, refined management as the means, and secure development as the bottom line, and make solid progress in inclusive finance.

Rural Revitalization

Always committed to serving Sannong customers, urban and rural residents, and small and medium-sized enterprises, the Bank resolutely implemented the decisions and plans of the CPC Central Committee and the State Council on the work of Sannong, and prioritized serving Sannong customers and rural revitalization. It improved the specialized agricultural service system, upgraded the rural credit service model, and increased the credit supply for rural revitalization to become a main force in serving rural revitalization. As at the end of the reporting period, the balance of agro-related loans amounted to RMB2.22 trillion, representing an increase of RMB180,931 million from the prior year-end and accounting for about one-fourth of the loans to customers, a level that ranked among the top of large state-owned banks in China. The balance of personal micro loans was RMB1.54 trillion, an increase of RMB142,783 million from the prior year-end.

Improving the Comprehensive and Specialized Agricultural Service System

The Bank established and improved organizational settings for serving rural revitalization. An organizational structure of specialized agricultural services was set up, which consisted of the Leading Group for Rural Revitalization, the Rural Revitalization and Inclusive Finance Management Committee, and the Sannong Finance Department (Rural Revitalization Finance Department). Meanwhile, the Bank implemented and deepened the reform of the Sannong Finance Department (Rural Revitalization Finance Department) to transform it into a customer management department. Also, It formulated the Opinions of Postal Savings Bank of China on Drawing on and Applying the Experience of the Green Rural Revival Program in Zhejiang Province to Effectively Assist the Comprehensive Revitalization of Rural Areas, increased the supply of financial services for rural revitalization and pushed forward the digital, intensive, and scenario-based transition of Sannong finance. The Bank improved the support policies for rural revitalization. Specifically, it formulated the 2024 credit policy guidelines for rural revitalization, improved the authorization for approval in key areas of rural revitalization, increased the allocation of credit resources related to agriculture, and provided preferential internal fund transfer prices for agro-related loans.

Going All Out to Ensure National Food Security

The Bank launched the micro loan service campaign in support of preparation for spring farming in 2024, further promoted the "Grain Loan" campaign in cooperation with the Ministry of Agriculture and Rural Affairs, increased credit supply to key grain industries such as rice, wheat and corn, and effectively supported production activities of grain-growing entities. It got ready for summer grain acquisition services in advance, reached out to grain reserve holders and grain dealers, and promoted unsecured loans among farmers. At the same time, the Bank deepened cooperation with key grain enterprises, made every effort to promote the chain-based service model for grain industries, and increased financial services for the whole grain industry chain. In doing so, it ensured a steady increase in credit supply to key grain areas. As at the end of the reporting period, the balance of loans in key grain areas amounted to RMB191,602 million, and the growth rate was 29.34% this year.

Inclusive Finance

Vigorously Supporting the High-Quality Development of Rural Industries

The Bank actively advanced the development of specialty industries in rural areas, promoted a tailor-made industrial loan service model of "one industry, one solution", and strengthened the stratified management of customers in specialty industries to meet the differentiated financial service needs of customer segments from rural industries in a targeted and effective manner. Additionally, the Bank introduced a precise fission-type marketing model to collaborate closely with upstream and downstream partners of its customers. In doing so, the Bank continuously extended its service reach in rural industries. As at the end of the reporting period, the balance of industrial loans to personal customers stood at RMB220,582 million, with a net increase of RMB88,103 million this year. The Bank also promoted innovation in the small enterprise product "Agricultural Benefit Loan", which was specifically designed for small and medium-sized agricultural enterprises engaged in key links such as grain acquisition, storage, processing, sales, and transportation. Moreover, hierarchical and categorized efforts were made to precisely acquire leading enterprises in the field of agricultural industrialization to support the integrated development of rural industries.

Helping Consolidate and Expand Achievements in Poverty Alleviation

The Bank kept main financial assistance policies generally stable and increased credit supply to areas lifted out of poverty, especially in key counties receiving national assistance for rural revitalization. In close cooperation with local governments, it made solid progress in such businesses as micro credit for people lifted out of poverty and guaranteed loans for entrepreneurship to support their production activities. As at the end of the reporting period, the balance of the Bank's loans to areas lifted out of poverty (832 counties lifted out of poverty) amounted to RMB545,549 million, an increase of RMB50,891 million as compared with the end of the previous year. The balance of the Bank's loans in 160 key counties receiving national assistance for rural revitalization was RMB62,914 million, an increase of RMB4,763 million or 8.19% from the end of the previous year, higher than the average growth rate of the Bank's total loans.

Innovatively Advancing Digital Inclusive Financial Services in Rural Areas

The Bank pushed forward the development of a rural credit system, formulated a rural market development plan for 2024, and strengthened the team building of village-based customer managers. A digital management platform was established to digitalize the traditional rural financial service model with a focus on six aspects of "data, profiling, application, process, operation, and scheduling". The Bank worked with China Post Group to advance grid-based business development in strong industrial villages and populous villages and efficiently develop comprehensive financial services for credit villages. Additionally, the Bank intensified efforts to proactively and efficiently extend credit to Sannong customers, expanded the list of Sannong customers eligible for proactive credit extension, developed an omni-channel, three-dimensional mechanism for directly managing customers by the Head Office, and launched proactive credit products exclusive for Head Office customers. Moreover, it refined the customer service processes and experience, and improved the coverage and convenience of credit services for Sannong customers. As at the end of the reporting period, the balance of loans issued via proactive credit extension programme for Sannong customers amounted to RMB175,066 million, with a net increase of RMB68,656 million this year.

Actively Creating a Collaborative and Integrated Service Ecosystem for Rural Areas

The Bank strengthened collaboration with China Post Group. Focusing on the five major customer segments[1], it integrated resources available across various segments of China Post Group. The Bank utilized big data technology, continuously upgraded the cooperative service model in cooperation with China Post Group, increased policy support for coordination, and reached out to rural customers precisely to provide them with a full package of services integrating finance, delivery, and e-commerce. Moreover, in cooperation with the government, guarantee companies, insurance companies, and other institutions, the Bank developed a risk-sharing platform, and brought external cooperation online. Through system interconnection and data sharing, the Bank addressed the financing difficulties facing agricultural business entities and delivered convenient customer service experience.

Pressing Ahead with Refined Management of Sannong Finance

The Bank established a digital platform for managing Sannong customers, created management tasks throughout the customer lifecycle and promoted the stratified management of Sannong customers. It centralized the review and approval of loans of 35 branches to tier-1 branches, launched the centralized review and approval in the Head Office, and strengthened standardized management of examination and approval, so as to enhance the quality and efficiency of centralized operation. Meanwhile, it refined the post-lending early warning model, promoted remote post-lending services via video connection, and strengthened efficiency control of centralized post-lending management. These efforts enhanced the accuracy and effectiveness of post-lending management. Additionally, the Bank strengthened the building of a tiered customer manager team, developed a comprehensive capability evaluation system, and performed retrospective review of customer managers' levels. Moreover, it advanced the reform of the centralized operation mode for customer managers and implemented the three-year personnel training initiative called the "Earhead Program" to enhance the overall capability of customer managers.

Intensifying Efforts to Prevent and Control Risks Associated with Sannong Finance

The Bank strengthened forward-looking risk identification and control, carried out examinations on the repayment of large-sum loans, identified signals of risk customers in advance, and took effective countermeasures. In the meantime, it actively disposed of the risks discovered, analyzed the causes of NPLs, improved the loan collection management system, established a mechanism for reviewing NPLs, and kept enhancing Sannong financial products and relevant business processes. Additionally, the Bank took strict measures for case prevention and compliance risk management, controlled the business authority of high-risk institutions and individuals, continued to increase the use of risk data models, and rigorously cracked down on fraudulent behaviors of customer managers. As at the end of the reporting period, the NPL ratio of micro loans stood at 1.88%, which remained stable overall.

1 The five major customer segments are administrative villages, rural cooperatives, farmers, agricultural enterprises, and rural supermarkets.

Inclusive Finance

Column Providing Industry-based, Digitalized, and Platform-based Financial Services to Empower the Tea Industry in the Tea-growing Areas North of the Yangtze River

In Shaanxi, the largest green tea production base in China's tea-growing areas north of the Yangtze River, the tea industry has become a dominant local agricultural specialty industry. The industry helps enhance local people's well-being and raise their living standards by promoting employment and increasing income. Drawing on the experience of the Green Rural Revival Program in Zhejiang Province and based on the policy of "encouraging each county to focus on one industry and each village to focus on one product", **PSBC Shaanxi Branch** actively provided industry-based, digitalized, and platform-based financial services to precisely and efficiently empower the transformation of local tea industry into a full tea industrial chain and enhance the value of the industrial chain. In doing so, the branch served as the main force for rural revitalization. As at the end of the reporting period, PSBC Shaanxi Branch extended more than RMB3 billion of loans in total to the tea industry.

First, creating an innovative financial service model with industry-based services. The branch formulated a financial service plan for the tea industry, launched an industrial loan service initiative "blooming flowers", and established a specialized team to visit various types of customers at different levels. Through visits to government agencies, enterprises, industry associations, and farmers, the team gained a comprehensive understanding of the tea industry's characteristics, business model, payment cycle, and financing needs. Based on these insights, the branch devised tailored service solutions suited to local conditions. The "Tea Loan" product was specifically developed to meet the credit needs of new-type agricultural business entities in the tea industry and efforts were made to extend the Bank's service reach throughout the entire tea industrial chain. This initiative led to the creation of a credit service model covering the full industrial chain, including tea producers, purchasers and planters as well as merchants of agricultural materials and machinery. By channeling credit resources toward core enterprises and their upstream and downstream agricultural and commercial partners, the Bank effectively addressed their financial needs.

Second, strengthening inclusive finance through digital transformation. The branch actively participated in the development of the Demonstration Project of Financial Technology Enabling Rural Revitalization. Leveraging this project, the branch developed a front-end agricultural service system to achieve interconnectivity between PSBC's system and PBOC's farmer credit information system, and developed a financing platform based on big data technology. Giving full play to the platform's features of automatic data processing and scenario reuse and expansion, the branch is able to provide tea farmers with instant loan approval and pure credit loans. In order to help tea farmers to reduce trips to bank outlets with the use of data, the branch further upgraded its digital financial products and significantly improved service efficiency.

Third, enhancing the financial service experience with platform-based operation. For some tea customers with large demand for credit funds and insufficient collateral, the branch deepened its cooperation with guarantee platforms, established a unified risk appetite for the tea industry, refined the "Tea Loan" business process, and developed a cooperative model for batch guarantee services upon approval. Through these measures, the branch significantly improved the efficiency of approving "Tea Loan" applications. Simultaneously, the branch made full use of operational tools such as the marketing map to assist customer managers in offering a chain of services. As a result, the branch improved the coverage, availability, and satisfaction of financial services across the entire process and tea industrial chain.

SME Finance

Committed to becoming an attentive primary bank for customers, the Bank accelerated the process of digital transformation and reached out to customers through digitalized grid-based services. Bearing in mind the daily production and operation scenarios and financial needs of SMEs, it created new products, offered customers a full range of services such as integrated financing, payment and settlement, and wealth management, and strove to create a "credit plus" comprehensive service model. As at the end of the reporting period, the balance of the Bank's inclusive loans to MSEs amounted to RMB1.59 trillion, accounting for over 18% of the Bank's total loans to customers, a percentage that continued to rise. The number of customers with outstanding loans was 2,197.6 thousand, a net increase of 32.2 thousand from the end of the previous year.

Enhancing Digitalized Grid-based Services to Expand Service Coverage

Supported by the digital service platform and leveraging the online, remote, and offline service system through multi-dimensional channels, the Bank enhanced the coverage, timeliness, and accuracy of MSE finance services by adopting grid-based operations, task assignment to each employee, and time-limited operations, which were tailored in consideration of the geographic locations and service radius of its outlets. The digital service platform supports automatic grid division and the generation of grid images by the system. Customer managers and inclusive service representatives formed "1+N" service teams to bridge the last mile gap in access to financial resources and provide attentive and professional services to SMEs. With both human and virtual customer service agents via remote banking, the Bank provided customers with continuous online companionship on a 24/7 basis.

Rolling out Innovative Digital Products for Diversified Scenarios to Improve Customer Experience

The Bank continuously advanced the scenario-based transformation of the online "Easy Small and Micro Loan" product. By collaborating with platforms, enterprises, and government organizations, the Bank is able to acquire customers in batches and in scenarios and access taxation, government procurement, and customs data, as well as data in science and technology field. This approach enabled the introduction of various new data products and services. Additionally, by connecting its system directly to the systems of core enterprises and leveraging their data and historical transaction records with upstream and downstream partners, the Bank embedded financing services into the procurement, sales, and other scenarios of MSEs. Aligning with national plans for strategic emerging industries and developments in science, technology, and innovation (STI), the Bank focused on industrial chains related to new quality productive forces such as 5G, AI, intelligent manufacturing, the Internet of Things (IoT), biomedicine, and healthcare. Based on patent data and expert opinions, the Bank developed industrial technology maps and relationship maps of key industrial chains that cover both upstream and downstream enterprises. Using a big data-based profiling model for sci-tech enterprises, the Bank created an exclusive online unsecured loan product called "Sci-Tech Innovation E Loan" and established a mechanism for proactive credit extension and customer acquisition.

Inclusive Finance

Deepening All-round, One-stop, Comprehensive Services to Empower the Digital Transformation of SMEs

The Bank established "1+N" service teams led by customer managers and supported by product managers, wealth managers, risk managers, and IT personnel, to provide customers with personalized and customized service solutions. Additionally, the Bank accelerated the promotion of the "PSBC Facilitates Corporate Operation" platform, a one-stop digital management platform for enterprises. This platform offers customers integrated applications across six major scenarios: financial and tax management, payroll management, purchase, sales and inventory management, invoice management, expense control and reimbursement management, and office management. Based on the above applications, it also delivers a range of intelligent features, including one-click tax declaration, intelligent invoice collection, online invoicing, and customized review and approval. As at the end of the reporting period, the platform served 43 thousand customers. PSBC Hainan Branch, Sichuan Branch and Shandong Branch were successfully selected as local service providers in pilot cities for digital transformation. Branch systems, such as the "Wisdom Camp" system of PSBC Hebei Branch, integrated personal and corporate banking services to achieve coordination between wholesale and retail businesses.

Enriching the Whole-process Intelligent Risk Control System and Creating Digital Customer Profiles

Throughout the entire credit business process for small and medium-sized enterprises, the Bank further improved its whole-process intelligent risk control system, which includes digital customer profiling, model rules, risk control strategies, and automatic early warning. By continuously integrating diverse data from scenarios, government affairs, public opinion, and enterprises' operations, among other sources, the Bank built a library that contained over 5,000 feature indicators and correlation maps, and deployed more than 400 automated approval strategies for pre-lending management and nearly 200 early warning strategies for post-lending management. With all these efforts, the Bank was able to construct digitized, visualized, and intelligent risk profiles of customers to facilitate risk assessment and digitalize risk management with AI technology effectively.

Column

Launching the "Inclusive Finance Promotion Month" Campaign to Fulfill Financial Responsibilities for the People

In March and April 2024, the Bank organized the "Inclusive Finance Promotion Month" campaign to effectively expand the reach of inclusive finance services. This was achieved through surveys and visits, communication activities across various channels, and extensive promotion of relevant products and services. During the campaign, more than 4,000 liaison activities and nearly 5,000 product introductions and promotions were conducted, which reached over 150 thousand market business entities and more than 2.16 million person-times.

Institutions at all levels of the Bank went into the frontline. By visiting enterprises, villages, the public, government agencies, and cooperative units, they gained a deep understanding of customer needs and established a variety of cooperation platforms. Various liaison activities were conducted to connect with market entities. For example, experts from Tsinghua University were invited to give lectures on synthetic biology, and a survey was conducted on the theme of new quality productive forces. Drawing on experience from the Green Rural Revival Program of Zhejiang Province, the institutions visited customers at the county, township, and village levels. During their visits to leading agricultural enterprises, a specialized initiative was launched to expand the customer base in the specialty agricultural industries. Additionally, after assessing the wealth management and consumption needs of individual customers, the Bank conducted communication activities, such as promoting the use of social security cards, providing wealth management education, and organizing the "PSBC-sponsored Car Purchase Season for Rural Areas" marketing campaigns. Furthermore, the Bank continued to strengthen its collaboration with China's national ministries and commissions including the Ministry of Science and Technology, the Ministry of Industry and Information Technology, the National Development and Reform Commission, and the Ministry of Agriculture and Rural Affairs. It organized investment and financing roadshows in partnership with the V-Next platform of the Shenzhen Stock Exchange and deepened business cooperation with government-backed financing guarantee institutions and agricultural guarantee institutions at all levels.

The Bank's customer manager visited a local leading food machinery manufacturing enterprise

The Bank extensively carried out inclusive finance policy interpretation and financial knowledge dissemination activities at multiple levels to promote relevant products and services. As communication hubs, the Bank's outlets played a key role in publicity and the Bank ensured that these activities reached a broad audience through all of its own channels, such as outlets, the official website, WeChat official account, and mobile banking. Additionally, the Bank leveraged external media channels to release over 1,300 press articles. The Bank also carried out activities for interpreting policies on inclusive finance and a series of nationwide training sessions titled "Assisting MSEs", which aimed to interpret policies related to the evaluation of small and medium-sized sci-tech enterprises. Furthermore, the Bank launched extensive financial knowledge dissemination activities with themes such as consumer protection, personal wealth management, and anti-money laundering, to enhance financial literacy among a diverse range of consumers.

PSBC Jiangsu Branch undertook special campaigns to support the development of sci-tech enterprises. In collaboration with the V-Next platform and Jiangsu High-Tech Investment Group (Govtor Capital), the branch organized the "PSBC – V-Next Financing Roadshow" to establish a financing service cooperation mechanism among government agencies, banks, enterprises, and capital platforms. The branch visited key high-tech parks and STI industry clusters, and signed strategic cooperation agreements with 20 industrial parks across the province to create a government-bank consortium providing enterprises with comprehensive services. **PSBC Qinghai Branch** worked to further expand the reach of inclusive finance services by visiting campuses and communities and introducing inclusive finance policies, products, and services to market players and the general public. The branch conducted activities such as "Inclusive Finance Promotion Month", "Sunshine Credit", and "Consumer Protection" at Qinghai Minzu University, where it disseminated financial knowledge on topics like anti-telecommunication fraud, anti-money laundering, and legal lending. Additionally, in cooperation with community-based financial education service stations, the branch carried out finance-themed promotional activities, including anti-money laundering activities, and demonstrated financial products tailored to meet the financing needs of farmers and herdsmen for spring farming preparations and daily consumption.

Majority-Owned Subsidiaries

The Bank has three majority-owned subsidiaries, namely YOU$^+$ BANK, PSBC Wealth Management and PSBC Consumer Finance. During the reporting period, the Bank continued to enhance the consolidated management of its majority-owned subsidiaries. These subsidiaries were actively integrated into the PSBC's strategy, leveraging their licensing advantages to focus on differentiated development. They gave full play to their synergy so as to continuously enhance the comprehensive financial service capabilities of the Bank Group.

邮惠万家银行

YOU$^+$ BANK was established on January 7, 2022, with a registered capital of RMB5.0 billion, in which the Bank holds a 100% stake. Its business scope is: absorbing deposits from the public, individuals and MSEs mainly; providing short, medium and long-term loans mainly to individuals and MSEs; domestic and foreign settlement through electronic channels; electronic bill acceptance and discount; issuing financial bonds; buying and selling government bonds and financial bonds; interbank lending; buying and selling foreign exchange by itself or as an agent; bank card business; agency collection and payment of funds and bancassurance; etc. As at the end of the reporting period, YOU$^+$ BANK had total assets of RMB12,330 million and net assets of RMB4,382 million. During the reporting period, it realized operating income of RMB133 million and recorded a net loss of RMB192 million.

In the first half of 2024, YOU$^+$ BANK earnestly studied and comprehended the guiding principles of the Central Financial Work Conference, and deeply grasped the political and people-oriented nature of financial work. YOU$^+$ BANK strictly complied with financial policies and regulatory requirements, and advanced its strategy for differentiated development. It was always prepared to deal with worst-case scenarios, intensified risk prevention efforts and consolidated long-term mechanisms. By focusing on cost control, it enhanced the quality and efficiency of refined management. Leveraging shareholders' resources, it made progress in coordinated development. As at the end of the reporting period, YOU$^+$ BANK had 21,420.8 thousand registered users in total and assets under management (AUM) of RMB24,531 million.

YOU$^+$ BANK is committed to "serving Sannong customers, facilitating MSEs, and benefiting the public". It actively explored new models of financial services, providing inclusive finance services for new urban residents and MSEs. Embracing the concept of inclusive finance, YOU$^+$ BANK developed the "YOU$^+$ Loan" credit product series. By focusing on the key aspects of rural revitalization and based on rural ecosystem scenarios, it gradually improved digital rural financial services. As at the end of the reporting period, YOU$^+$ BANK extended loans totaling RMB18,981 million cumulatively.

Committed to inclusive finance, YOU$^+$ BANK made solid efforts to build a wealth management platform for the general public. With a customer-centered and long-term companionship-oriented approach to wealth management and investor education, it developed the capability to support customers throughout their investment journey. It optimized product experience, and analyzed the historical performance of products from multiple dimensions to assist customers in making investments rationally. As at the end of the reporting period, YOU$^+$ BANK launched more than 500 wealth management products with prudent strategies and sold wealth management products totaling RMB17,238 million on an agency basis.

YOU$^+$ BANK comprehensively strengthened risk management capabilities, accelerated the building of the system of life-cycle risk model strategy framework, and enhanced digital risk control measures to safeguard high-quality development. Centering on prudent and sound operation on all fronts, it continued to reinforce the fundamental capability for legal compliance and improved the internal control management procedures. It also conducted campaigns to promote compliance culture, enhanced the awareness of compliance risk of all employees, and optimized the institutions and mechanisms for protecting consumer rights. To fully implement regulatory requirements, YOU$^+$ BANK continued to push forward standardization of policies and processes.

YOU+ BANK optimized its information technology governance framework, enhanced its capability for business continuity assurance and information security protection, and effectively safeguarded the security of customers' financial information. It improved the development of a data governance framework, strengthened source management, and enhanced data quality to support the development of digital risk control capabilities.

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PSBC WEALTH MANAGEMENT

PSBC Wealth Management was established on December 18, 2019, with a registered capital of RMB8.0 billion, in which the Bank holds a 100% stake. Its business scope is: issuance of wealth management products to the general public, investment and management of entrusted assets for investors; non-public issuance of wealth management products to eligible investors, investment and management of entrusted assets for investors; financial advisory and consulting services, etc. As at the end of the reporting period, PSBC Wealth Management had total assets of RMB13,588 million and net assets of RMB13,158 million. During the reporting period, it realized operating income of RMB896 million, registering a year-on-year increase of 21.30%; and it recorded a net profit of RMB547 million, up by 22.21% year on year.

In 2024, with the goal of accelerating the development of a first-class bank-owned asset management company, PSBC Wealth Management followed the pathway of digital, intelligent, refined, and integrated development, and implemented the business philosophy of "maintaining steady growth, adjusting structure, strengthening marketing efforts, preventing risks, and advancing transformation to achieve high-standard, high-quality development". As at the end of the reporting period, the products managed by PSBC Wealth Management totaled RMB957,325 million, an increase of 23.29% from the end of the previous year, representing one of the highest growth rates in the industry. Net-value products amounted to RMB918,947 million, accounting for 95.99% of all products.

Bearing in mind the country's most fundamental interests, the company took active steps to develop the "five priorities". First, the company vigorously supported the real economy. It completed the entry of 3,112 enterprise clients, with investments in bonds tied to the real economy amounting to RMB439,694 million, a year-on-year increase of 24.51%. The percentage of non-financial credit bonds and asset-backed securities (ABS) in the bond balance continued to rise, reaching 71.31%. Second, the company continuously expanded its green investments, with green bonds accounting for 1.89% of the bond balance and green equity assets making up 11.64% of equity assets. Third, the company vigorously developed inclusive finance. It continuously rolled out innovative inclusive wealth management products. During the reporting period, it issued a total of 44 inclusive wealth management products, raising RMB31,910 million from 287.2 thousand investors. Fourth, the company actively facilitated pension finance. The scale of pension-based wealth management and retirement wealth management products totaled RMB10,001 million as at the end of the reporting period.

The company made every effort to build comprehensive and differentiated advantages to enhance its core competitiveness. First, the company improved asset allocation. Bond assets accounted for 43.40% of its total assets, an increase of 5.04 percentage points from the end of the previous year. Fund assets increased by 56.84% from the end of the previous year. It also increased allocation to preference shares, convertible bonds, and overseas assets, and adopted new strategies such as investment in index funds and derivatives. Second, the company focused on key products and developed a comprehensive product portfolio. It increased the offering of "Yuexin", a medium- to long-term product line, with a total of 28 products raising RMB26,965 million. It launched 34 multi-strategy products, such as strategies based on preference shares and bond income swaps, with a fundraising scale of RMB35,457 million. Due to strict quality control, 94.88% of closed-end products that were being managed by the company reached the performance benchmark target, and 100% of alternatives for cash management products and key high-frequency open-end products saw their annualized yields reach the performance benchmark target since the beginning of 2024. Third, sales of wealth management products via all channels saw steady growth through comprehensive customer expansion and refined service. Activities such as "Visiting Wealth Management Subsidiary" fully stimulated the vitality of the Bank's channels, with the retail sales via the Bank's channels increasing by RMB100,309 million from the end of the previous year, marking a record high growth rate. Meanwhile, retail channels outside the Bank made extensive efforts, with the business scale expanding by 66.62% from the end of the previous year, ranking at the forefront of the industry. Continued breakthroughs were achieved in the service model for institutional wealth management customers, with the scale of outstanding businesses reaching RMB130,391 million.

The company deepened reform and innovation to achieve new breakthroughs in the high-quality development of its wealth management business. First, the company improved the investment and research system for mutual funds, including frameworks for analyzing major asset classes, asset allocation models, market research models, industry selection models, and the self-developed credit evaluation system. Second, the company promoted reforms to establish a marketing system with wide coverage, strong penetration, high precision, and new forms, enhancing customer reach and service standards. Third, the company consolidated risk compliance and refined management. It strengthened its forward-looking prediction of drawdown risks in net asset value and established a risk identification and control mechanism for innovative businesses. It also made efforts to enhance the effectiveness of compliance control. Fourth, the company deepened digital transformation, and identified seven dimensions of direction for digital transformation to enhance operational efficiency and service levels.

中邮消费金融有限公司
PSBC CONSUMER FINANCE CO.,LTD.

PSBC Consumer Finance was established on November 19, 2015, with a registered capital of RMB3.0 billion, in which the Bank holds a 70.50% stake. Its business scope is: granting personal consumer loans; accepting deposits from shareholders and their domestic subsidiaries as well as parent companies of the groups to which shareholders belong and their domestic subsidiaries; borrowing from domestic financial institutions; borrowing from overseas financial institutions that are shareholders of the company; issuing non-capital bonds; interbank funding; advisory and agency services related to consumer finance, etc. As at the end of the reporting period, PSBC Consumer Finance had total assets of RMB62,904 million and net assets of RMB6,147 million. During the reporting period, it realized operating income of RMB3,714 million and recorded a net profit of RMB238 million.

With the aim of enhancing the quality and efficiency of financial services, PSBC Consumer Finance worked to develop inclusive finance. The company focused on improving the coverage and accessibility of inclusive financial services, boosting consumption upgrading, and making financial services easily accessible to the public. First, the company launched various types of consumption promotion-themed activities during major festivals and holidays. In the first half of the year, the company organized activities such as "Flying Dragon Bringing Fortune", "Outing Season for Fun", and "June 10 Mid-Year Celebration", which helped more consumers lead a better life. Second, the company actively utilized digital means to extend financial services to more customer segments by strengthening the application of cutting-edge technology and innovating development models. Third, the company continued to lower product interest rates, with the comprehensive loan rate falling by 135 basis points from the end of the previous year, thereby further improving the accessibility of financial services and vigorously developing inclusive finance.

PSBC Consumer Finance developed a consumer protection mechanism with intensified efforts to actively fulfill corporate social responsibilities (CSRs). The company continued to strengthen the building of a consumer protection mechanism and launched various communication activities to effectively fulfill its CSRs. First, the company promoted digital transformation of consumer protection review, integrating the intelligent consumer protection review function into its business processes. Upon the availability of the function, system-assisted intelligent review and manual review will be combined to improve review efficiency. Second, a wide range of financial literacy enhancement campaigns were conducted. The public information and education activities in business districts, schools, and communities registered an attendance of approximately 0.4 million person-times. The "Financial Supermarket Challenge" campaign, an event based on the idea of financial supermarket carried out in cooperation with the Guangzhou Anti-Fraud Center, generated 1.27 million views. Third, the company made publicity efforts through its new media channels to raise the awareness of risk prevention among consumers and to establish and consolidate a brand image of "developing finance for the common good". As at the end of the reporting period, A total of 21 short videos on themes such as consumer protection and anti-fraud awareness were released on the company's Douyin account and WeChat Channel account, with over 0.66 million views.

PSBC Consumer Finance focused on development and risk control to constantly promote high-quality development. Closely following the strategic development objectives, the company improved its risk control capabilities to achieve high-quality development and meet its business objectives. First, the company embraced high-quality development as a crucial mission in the new era and achieved significant improvements in quality and reasonable growth in quantity. Second, it designed business models, product elements, and risk control policies tailored for high-quality customer segments, improved customer experience and product competitiveness through an integrated online and offline business framework, and mitigated risks while expanding business scale. Third, by accelerating tasks such as asset restructuring and asset quality enhancement, the company achieved the dual objectives of improving the asset structure and expanding its business scale. PSBC Consumer Finance saw a decline in the NPL ratio compared with the end of the last year.

PSBC Consumer Finance comprehensively advanced digital transformation to empower business development. The company intensified the application of cutting-edge technology, innovated development models and empowered business growth through digital and intelligent means to provide consumers with more cost-effective and efficient financial services. First, the company pressed ahead with digital transformation, and reviewed business scenarios and reshaped business processes through the in-depth integration of business and technology. Eight major projects were proposed and approved under the theme of digital transformation. Second, the company accelerated efforts to develop an automated and intelligent platform, better empowered business growth with technology, and strengthened the application of new technologies such as big models and digital employees. Third, the company made progress in data governance and the building of a data ecosystem. This included completing the overall planning scheme for the data ecosystem, creating a panorama of internal and external data, and charting a pathway to data ecosystem implementation.

Environmental and Social Responsibilities

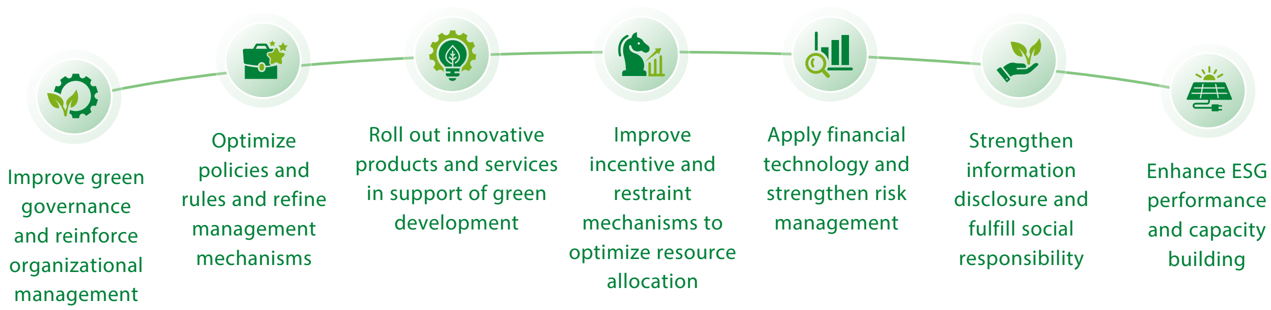
Green Finance

The balance of green loans amounted to RMB**693,099** million, an increase of **8.66**% from the prior year-end. This growth rate has been higher than the average growth rate of all loans for consecutive years.

The Bank completed carbon accounting for **5,552** enterprises on a cumulative basis.

The Bank fully implemented the guiding principles from the 20th CPC National Congress, the Central Economic Work Conference, and the Central Financial Work Conference, firmly established and practiced the concept that clear waters and green mountains are invaluable assets, strictly acted on national policies and regulatory requirements, and endorsed the United Nations' Sustainable Development Goals (SDGs) for 2030 and the Paris Climate Agreement, vigorously developed sustainable finance, green finance, and climate financing, supported biodiversity preservation, and facilitated the achievement of carbon peaking and carbon neutrality goals. As at the end of the reporting period, the balance of green loans amounted to RMB693,099 million, representing an increase of 8.66% from the end of the previous year. This growth rate has been higher than the average growth rate of all loans for consecutive years.

Strengthening top-level design. The Green Finance Steering Group for Carbon Peaking and Carbon Neutrality and the Green Finance Taskforce on Carbon Peaking and Carbon Neutrality held meetings on a regular basis. The Board of Directors, the Social Responsibility and Consumer Rights Protection Committee thereunder, and the Board of Supervisors regularly listened to reports on the building of a green bank and ESG management, discussed and



Seven Key Tasks in Developing Green Finance

made planning of relevant work, and advanced toward the goal of carbon peaking and carbon neutrality in an active and steady way. The Bank innovated on institutions and mechanisms. A total of 35 green finance institutions were inaugurated, including carbon-neutral sub-branches, green sub-branches, and green finance centers, so as to keep improving the quality and efficiency of green finance services.

Refining policies and rules. The Bank thoroughly implemented the decisions and plans of the Central Financial Work Conference on vigorously developing "five priorities" including green finance, issued the Work Plan for Green Finance of Postal Savings Bank of China to clarify seven key tasks, and developed green finance with concrete and refined efforts to improve the quality and level of serving the real economy with finance. In the 2024 credit policies, it released a separate credit policy guideline for green finance and climate financing, which specified the key fields to support in terms of green finance and climate financing. The Bank spared no effort to develop sustainable finance, green finance, and climate financing, and actively explored transition finance, just transition, and carbon-zero finance.

Improving resource allocation. The Bank continued to improve the incentive and restraint mechanisms in terms of performance appraisal, credit scale, funds transfer pricing (FTP), economic capital measurement, and other aspects. More resources were channeled to support key fields related to green finance such as low-carbon transportation, renewable energy, clean energy, green buildings, energy conservation, and environmental protection. The Bank provided preferential interest rates and FTP concessions for projects with significant effect of carbon emissions reduction. Specifically, it cut 15 bps for green credits and green bonds, and 70 bps for green agriculture and green MSEs receiving inclusive loans. It opened up a "green" lane for review and approval, increased the input for parallel operations, and supported the development of green finance business.

Green Finance

Unveiling innovative financial products and services. Adhering to its strategic positioning and taking advantage of its capital and network, the Bank launched a number of green finance products in key fields of pollution prevention and control, energy conservation and environmental protection, eco-agriculture, etc. Some examples of these products included micro loans for photovoltaic (PV) power generation equipment, small hydropower loans, pollutant discharge loans, garbage charging rights-pledged loans, future income rights-pledged loans for contracted energy management projects, and easy small and micro loans. In terms of concrete practice, the Bank implemented several sustainability-linked finance deals. As at the end of the reporting period, the balance of sustainability-linked loans was RMB8,163 million. The Bank innovated on the discount product Green G Discount. As at the end of the reporting period, the total face value of discounted bills was RMB1,661 million. The Bank provided carbon accounting services for corporate customers. As at the end of the reporting period, it completed carbon accounting for 5,552 enterprises on a cumulative basis.

Ensuring proper information disclosure. The Bank published the 2023 Special Report on Environmental Information Disclosure (Green Finance) to summarize its achievements in the development of green finance and ESG risk management. Through various exchange activities, it fully communicated with the investors about its ESG performance, proactively accepted supervision by stakeholders, and strengthened two-way interactions.

Column

Issuing the First ESG Climate Finance Loan to Explore a New Mode of Local Green Finance

In recent years, global climate change has led to more frequent extreme weather events such as typhoons, rainstorms, and high temperatures. These recurring meteorological disasters have brought challenges to the stability of financial markets and the operations of financial institutions and increased the demand for climate finance. In response, the Bank introduced an innovative loan that integrates ESG, climate and insurance factors, and issued the first ESG climate finance loan in China.

Leveraging the financial meteorological service exchange platform established by the NFRA Putian Branch, the Bank incorporated the latest research results on green and low-carbon transformation industries in introducing the ESG Climate Finance Loan. It collaborated closely with external institutions to enforce strict customer on-boarding based on ESG performance objectives and plans, ESG performance records, compliance with industry standards and policies, and the assessment and repayment ability of climate-integrated enterprises (CIEs). **Fujian Putian Branch** conducted precise customer profiling by evaluating R&D investment, green growth potential, policy support, and other enterprise factors to comprehensively assess the green innovation capabilities and long-term development prospects of manufacturing companies. After assessing the ESG and climate risks and management capabilities of corporate customers, the branch introduced environmental insurance products to enhance comprehensive insurance coverage, helped corporate clients better manage climate risks, and encouraged them to fulfill their environmental and social responsibilities effectively. As at the end of the reporting period, using this loan, Fujian Putian Branch granted a credit line of RMB32 million to a company in Fujian Province.

This loan model not only allows corporate clients to directly benefit from carbon emission reduction tools and preferential lending rate policies, but also plays an positive role in prompting them to enhance their ESG performance, disaster prevention and mitigation management, and sustainability capabilities.

Column

Financing Raspberry Planting Industry to Support Women Entrepreneurship

Located in the Kazakh Autonomous Prefecture of Ili in Xinjiang Uygur Autonomous Region, Xinyuan County sits at the eastern end of the Ili River Valley, one of China’s top ten most fertile regions. The county is abundant with mountains, meadows, and floodplains, and is known as the Pearl of the Prairie and the China’s Gene Bank of Wild Fruits. Zhang Gaoxia from the Kazak Maili Village found that her hometown’s long hours of sunshine, abundant water supply, and fertile soil were ideal for raspberry cultivation. After graduating from university, she resolutely chose to return home and start her own business. She used the professional knowledge she had learned to adapt measures to local conditions, learned and refined raspberry planting techniques.

To increase income, Zhang Gaoxia planned to expand the planting area but faced a shortage of funds. When **Xinjiang Xinyuan County Sub-branch** of the Bank learned of her financial difficulties during a visit to borrowers, it granted her a Speedy Loan. With the improvement of Zhang's raspberry cultivation, she began to consider an integrated production and sales model and organized local villagers to establish Kangquan Raspberry Processing Cooperative. Xinjiang Xinyuan County Sub-branch supported this initiative by adopting a development model of "finance + enterprises + cooperatives + farmers" and introducing a comprehensive financial solution that covered the entire industry chain, including pre-production, production, post-production, distribution, and consumption. This approach was designed to meet the financial needs associated with raspberry planting, acquisition, processing, and sales.

Kazak Maili Village is an ethnic minority village where Kazakhs make up 60% of the population. During the summer pasture rotation period in each June, many Kazakh women and elderly people stay at the village. Taking into account the need for raspberry picking, Zhang Gaoxia began to run raspberry farm tours and hired local elderly women to help with picking and management activities. This initiative boosted the courtyard economy, which could provide local farmers and herdsmen with additional income sources while establishing the village as a raspberry industry cluster. During the reporting period, Xinjiang Xinyuan County Sub-branch newly issued agro-related loans totaling RMB173 million, with the balance of such loans reaching RMB252 million as at the end of the period. These loans benefited nearly 2,000 agro-related enterprises, cooperatives, and individual farmers.

Zhang Gaoxia was recognized as one of the “Top-notch Personnel” and “Stars of Entrepreneurship” in Xinyuan County. Kangquan Raspberry Processing Cooperative was honored as a Demonstration Family Farm and a Women Entrepreneurship Demonstration Base in the autonomous region. Sincerity builds trust. Xinjiang Xinyuan County Sub-branch has been living up to the brand proposition “Together We Make It Better” and accompanying customers throughout their growth.

Green Operation

The Bank implemented the work plan on green finance and kept deepening the concept of green operations. It strengthened internal control, standardized staff behavior, reinforced the holistic concept of green operations across various roles, and worked toward the goal of becoming a green bank. The Bank issued the PSBC Work Plan on Earnestly Implementing the Requirements to Keep Belts Tightened and organized the principals-in-charge of 36 tier-1 branches and majority-owned subsidiaries to sign the 2024 Responsibility Statement on Ecological and Environmental Protection. It worked to reduce energy consumption in its operations, made efforts to increase the awareness of energy conservation and implemented measures to reduce the consumption of water, electricity, and other forms of energy. The Bank organized inspections to eliminate unnecessary spending and waste, and further promoted the Clean Plate Campaign to combat food waste. To continually promote green and paperless office practices, the Bank utilized electronic office methods and double-sided printing, reducing the use of consumables. It adopted electronic meeting materials, minimizing paper printing, and cutting down on the waste of office supplies.

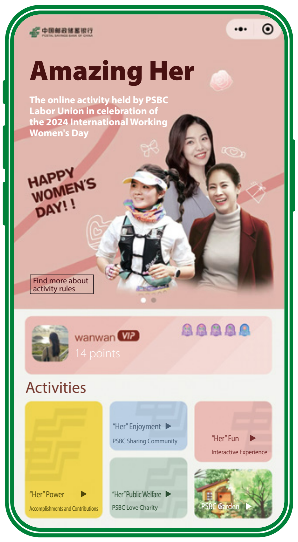
The Bank promoted low-carbon and energy-saving buildings and reinforced technological innovation. The Implementation Rules of PSBC on Preliminary Design of Infrastructure Projects (Revision in 2024) introduced a dedicated section on green building design. This section outlines requirements and improvement proposals for various aspects of green building design principles, advanced technologies, maintenance structures, HVAC systems, water supply and drainage systems, electrical and lighting systems, and indoor decoration materials. PSBC Guangdong Branch employed high-efficiency insulation materials, such as low-emissivity (Low-E) glass to effectively reduce building energy consumption. PSBC Hebei Branch selected water-saving appliances and equipment, achieving over 20% reduction in water usage. PSBC Beijing and Henan branches used environmentally friendly paints, recycled concrete, and other building materials that met environmental protection standards in their ongoing projects to minimize the impact of construction on the environment. All these building projects were carried out in strict accordance with the Energy Conservation Design Standards for Public Buildings and the Green Building Evaluation Standards (GB/T50378-2019). The office building of PSBC Hefei Base reached a two-star green building standard, its photovoltaic power system generated 68 thousand kWh of electricity in the first half of 2024 and has cumulatively produced 350 thousand kWh since the facility was put into operation. The energy was clean and environmentally friendly, and the operation was economically energy-efficient.

Senior management and staff of the Head Office participated in the "Planting Trees for a Greener World" voluntary tree-planting activity in 2024.

Care for Employees

The Bank implemented the guiding principles from the 20th CPC National Congress and aligned its efforts with the objectives and tasks set by the 18th National Congress of the All-China Federation of Trade Unions. By addressing the actual needs of its employees, the Bank organized a variety of cultural activities and other initiatives to support their well-being, enhance their sense of happiness, fulfillment and belonging, and unite all efforts necessary for the Bank's high-quality development.

The Bank consistently implemented the work related to its female employees. Echoing the important message of Xi Jinping, General Secretary of the CPC Central Committee, that "every woman has the opportunity to excel in life and make her dreams come true", the Bank organized a series of themed activities, both online and offline, to celebrate the International Working Women's Day on March 8, 2024. These activities highlighted the contributions of women in ordinary positions and everyday life, and encouraged female employees to be strivers in the new era and make contributions to PSBC's development.



Exclusive applet "Amazing Her" in celebration of International Working Women's Day in 2024

Scan the QR code to learn more about the activity

The Bank cultivated and encouraged a culture of innovation. The "Young Strivers" exchange meeting was organized for model employees from institutions directly managed by the Head Office to share their innovative practices. Four leading members from the Model Worker Innovation Studio, along with two young managerial representatives from the Head Office, discussed topics such as business innovation, technological empowerment, and the achievements of young workers. A wide range of cadres and employees of the Bank attended the meeting via the "PSBC Live-streaming" platform. The exchange meeting helped build up strength to forge ahead and fostered an environment conducive to innovation.

The "Young Strivers" exchange meeting for model employees to share their innovative practices

The Bank showed care for employees' children and families. It organized the International Children's Day 2024 event titled "A Day of Love for Kids", with the theme "Pursue a Better Life with PSBC". Participants engaged in challenge tasks and collected stamps for check-ins. This learning through play event created a positive atmosphere that strengthened parent-child relationships among staff families.

The International Children's Day 2024 parent-child activity titled "A Day of Love for Kids"

The Bank organized staff sports activities, including the 3rd Staff Table Tennis Tournament and the 2024 Male Workers' Invitational Basketball Tournament. By combining online and offline participation, these events were live-streamed and showcased the tenacious and indomitable sportsmanship of PSBC staff.

The 2024 Male Workers' Invitational Basketball Tournament of PSBC

Consumer Protection

Adhering to a people-centered development philosophy, the Bank integrated consumer protection into its corporate governance, corporate culture building, and business development strategies. It continued to enhance its whole-process consumer protection mechanism, which includes pre-event prevention, in-process control, and post-event supervision, and effectively fulfilled its primary responsibility for safeguarding consumer rights and interests.

During the reporting period, adhering to the principle of "prevention first", the Bank conducted consumer protection reviews to assess policies, norms, business rules, fee pricing, agreement terms, and publicity texts that could affect consumers' rights and interests. This proactive approach was aimed to bring forward the timing of risk control. The Bank also optimized its complaints management mechanism and focused on the management of early signs of emerging issues from the source. Additionally, the Bank continuously made efforts to intensify training, supervision, and inspections, explored new forms to promote financial literacy and advanced digital transformation. These initiatives were aimed at enhancing the Bank's capabilities for consumer protection.

Building a Culture of Integrity

The Bank organized a tour exhibition themed on clean financial culture, which focused on disciplinary, warning, and integrity education. The exhibition provided an immersive experience that integrated sight, sound and other sensory elements, and embedded values related to risk management, internal control, and compliance into the development of a clean financial culture. This initiative helped enhance the Bank's risk prevention and control capabilities and solidified the foundation for sound development.

A themed tour exhibition on clean financial culture entitled "Upholding Discipline, Embracing Integrity"

Capability Building

Financial Technology

The new-generation core system for corporate business became fully operational.

The technology middle office offered over 14,000 enterprise-level services.

The data middle office provided over 1,600 data services.

Guided by the IT Planning for the 14th Five-Year Plan period, with technological innovation as the core and refined management as the approach, the Bank continuously accelerated its pace in innovation, breakthroughs, and transformation, and strove to create a new situation of high-quality development.

Fully Building Digital and Intelligent Advantages

With the goal of empowering high-quality development through financial technology, the Bank expanded the support services and application scenarios of financial technology, built up driving forces of innovative technologies, and actively explored the application of cutting-edge technologies. In doing so, it endeavored to embark on a new path to differentiated development.

Shaping Differentiated Competitiveness

The IT team built differentiated competitiveness to attain distinctive development around five aspects, namely Sannong finance, SME finance, proactive credit extension, wealth management, and financial market business.

Revitalizing traditional Sannong services through innovative approaches. The Bank created a new self-service signing mode for Sannong credit business by introducing a video operation service system, and the business processing efficiency was increased by approximately 70%. Additionally, a management system was developed for characteristic Sannong entities and business operation, which enabled online closed-loop management of various Sannong operations, such as customer group analysis, strategy scheduling, resource management, marketing records for five major customer groups, business in collaboration with China Post Group, and business review.

Financial Technology

Employing digital solutions to address service challenges in SME finance. The Bank promoted the online transformation of SME financial services, introduced the innovative E-withdrawal business model, and achieved instant disbursement within seconds through electronic channels for customers, meeting customers' demand for flexible withdrawal and repayment. As of the end of the reporting period, the balance of the E-withdrawal business exceeded RMB200 billion, with a cumulative number of 64.2 thousand disbursements this year. The Bank utilized blockchain and Internet of Things technology to create a dedicated service system for SME finance, and formed an inter-enterprise chain network, which eliminated the information gap in MSE services, and improved the success rate of financial services for MSEs.

Facilitating the development of proactive credit business. Proactive credit extension was available through 14 channels, including counters, ITMs, intelligent outbound calls, etc. This led to the creation of a comprehensive marketing chain that integrates both online and offline channels, which significantly improved the efficiency of list-based customer mining and marketing.

Strengthening the application of wealth management tools. The wealth management middle office enhanced the professional capabilities of investment portfolio management with AI support, and made personal wealth report more intelligent. The Bank continuously promoted and optimized the customer relationship management (CRM) platform, and reshaped the comprehensive marketing performance management system. It also advanced the intelligent transformation of the integrated marketing model and a daily average of 115 million transactions were processed by the system.

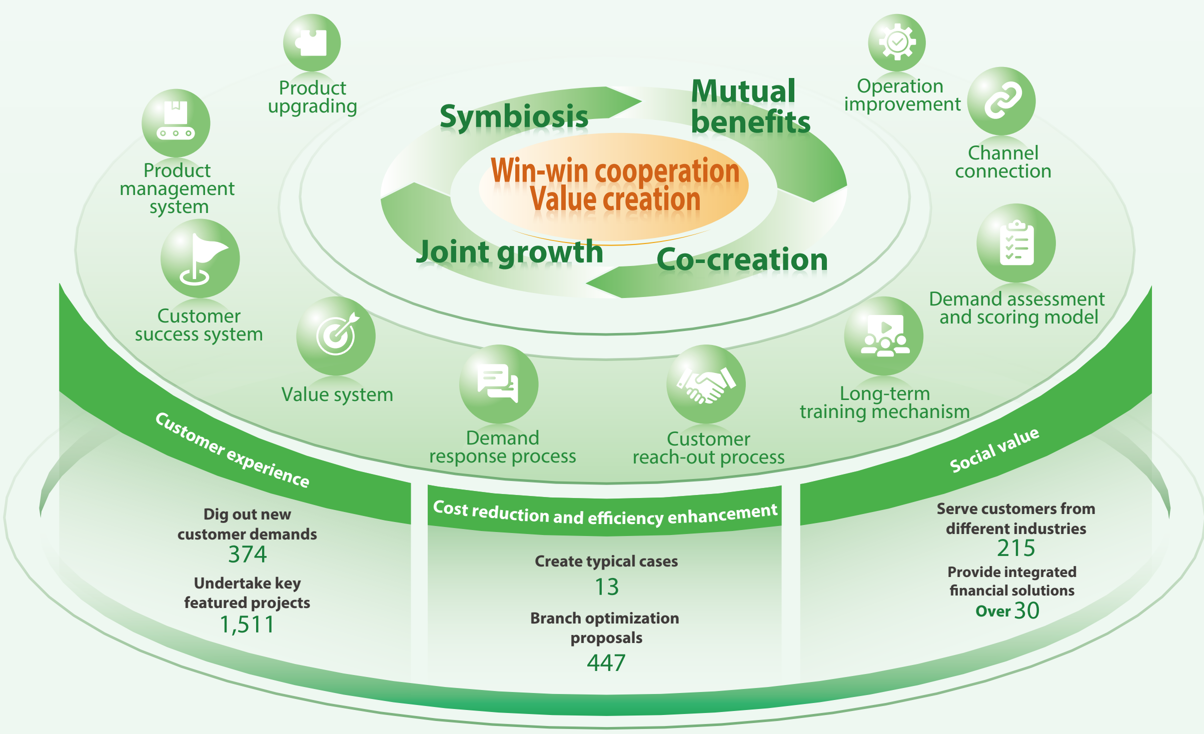
Tapping deep into financial market business to enhance comprehensive service capabilities. By integrating digital and intelligent technologies, the "Together We Thrive" interbank ecosystem platform focused on building a comprehensive service system that integrates business scenarios, interaction scenarios and tool scenarios, provided customers with one-stop financial services covering all channels and business varieties, and delved deep into the operational value behind financial data to empower the development of the Bank's interbank business. The electronic trading system further integrated trading channels, introduced a monetary market trading robot, and established an automated processing mechanism, which saved approximately 94% of working hours. Additionally, an intelligent prototype was developed to enable more refined transaction management.

Column

Expediting the Deep Integration of Business and Technology to Underpin Business Transformation

The Bank built differentiated competitiveness, further developed and applied the business-technology integration mode for customer service engineers, and assigned technological personnel to the front-line of the Head Office and branches to support grass-roots level marketing and operations. In pursuit of a customer-centered approach to better understand customer needs, the Bank co-created digital financial service solutions with its customers.

As at the end of the reporting period, the customer service engineer mode was implemented across 36 tier-1 branches nationwide, with its reach extended to lower-level outlets in cities and counties. This mode enhanced the supporting role of digital finance in the Bank's transformation across the board. It was effective in consistently delivering economic benefits, improving customer experience, reducing costs and increasing efficiency, and creating social value. The customer service engineer mode empowered the Bank's business development. It facilitated corporate business cooperation with clients in terms of transaction banking business, credit business, and smart government affairs business, etc., and facilitated the development of various personal banking businesses, with a total of 61 key business projects secured. It collaborated with 17 branches to undertake 1,511 provincial key featured projects, identified a total of 374 new customer needs, and helped implement 447 optimization suggestions at branches. Additionally, the mode provided one-stop comprehensive services, covered 215 industry customers, offered more than 30 integrated financial solutions, and created 13 exemplary cases, such as "supervision over funds from elderly-care facilities" and "smart medical bill reconciliation". Notably, the Bank provided in-depth support to a group company in Hebei Province, while exploring and formulating an optimal path for digital and intelligent transformation. This collaboration led to the signing of a strategic cooperation agreement on digital and intelligent transformation between **PSBC Hebei Branch** and the client, which marked a new breakthrough in technology-led customer marketing. Through the integration of business and technology, a new mode of three-dimensional customer service that connects dots to form lines and weaves a network with lines was developed to advance the rural revitalization drive and the high-quality development of the real economy through technological endowments.

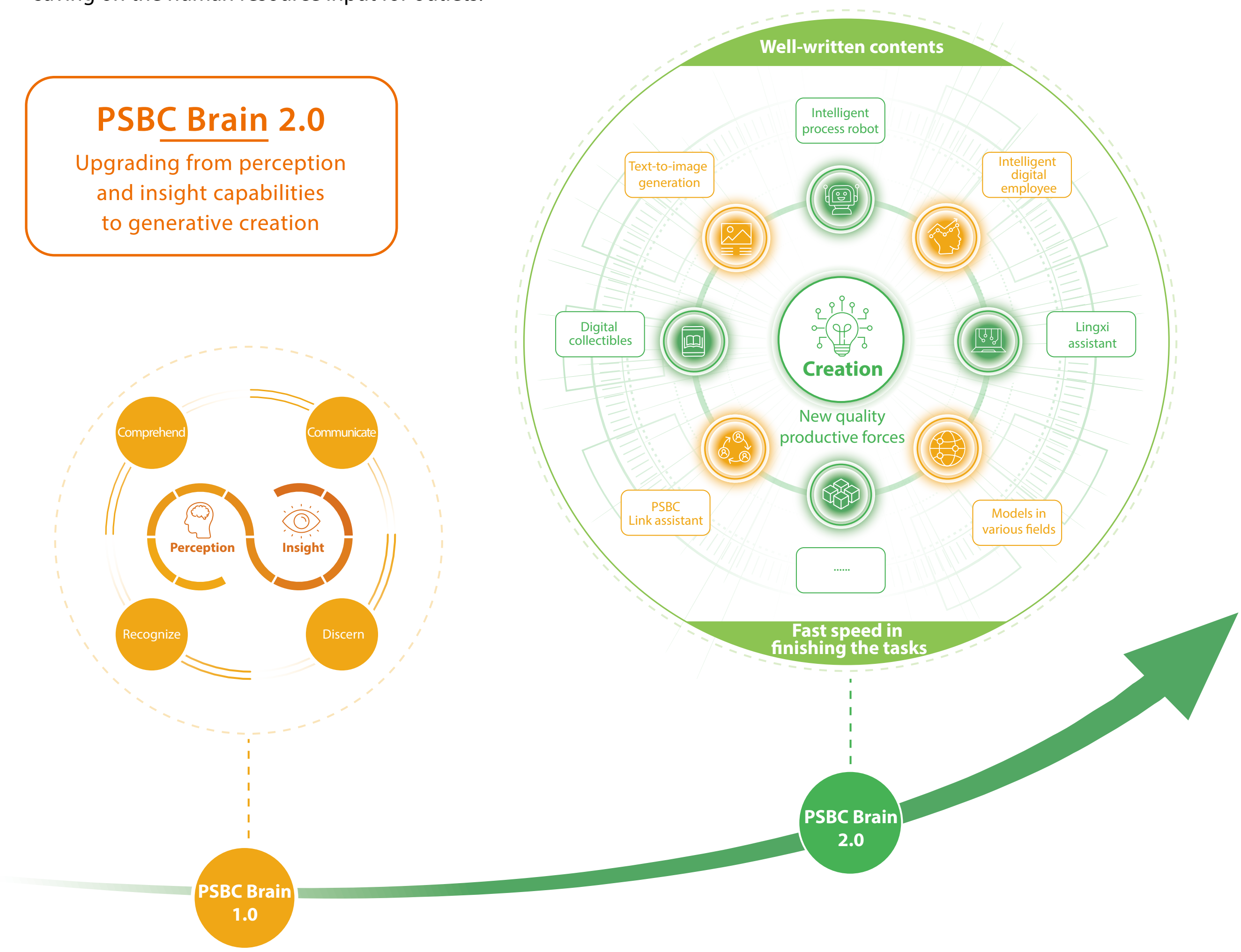


Financial Technology

Strengthening the Digital Capability Foundation

PSBC Brain extended its intelligent perception and insight capabilities outwards. By perceiving and analyzing industry dynamics and market information, it could provide ecosystem partners with accurate and detailed peer benchmarking and analysis reports. Within two months since its launch, the platform helped save approximately 900 person-days of workload. It endowed digital employees with the ability to perceive emotions and semantics, and introduced a real-time supervision and review function of digital tellers in the cloud counter system to facilitate full-process guidance for business handling. "PSBC Assistant", a comprehensive aid tool that integrates knowledge repositories and large models, can provide intelligent, quick, and real-time responses. As at the end of the reporting period, over 8,000 pieces of self-service equipment incorporated the cloud counter function, which achieved a review migration rate of approximately 70%. Additionally, more than 9,000 mobile business development devices were connected to the cloud counter system, enabling business development by a single employee and saving on the human resource input for outlets.

PSBC Brain was gradually enhanced towards generative creation, acting as intelligent office assistants for employees on multiple occasions. In the customer complaint analysis scenario via remote banking, it could effectively help customer service representatives categorize complaints reported to regulators, with an accuracy rate of 93%. The document content review function effectively assisted business demand management personnel in quickly understanding and reviewing relevant content, with an accuracy rate of 84% for business label extraction and 96% for functional point extraction. The Bank also developed a large model-based intelligent business hub, created an enterprise-level search enhancement application, and accelerated the large-scale application of large model scenarios. The Bank's Generation of Suspicious Transaction Analysis Reports Based on Generative AI Technology was recognized as a typical case of AI-enabled large model scenario applications at the Global Digital Economy Conference 2024.



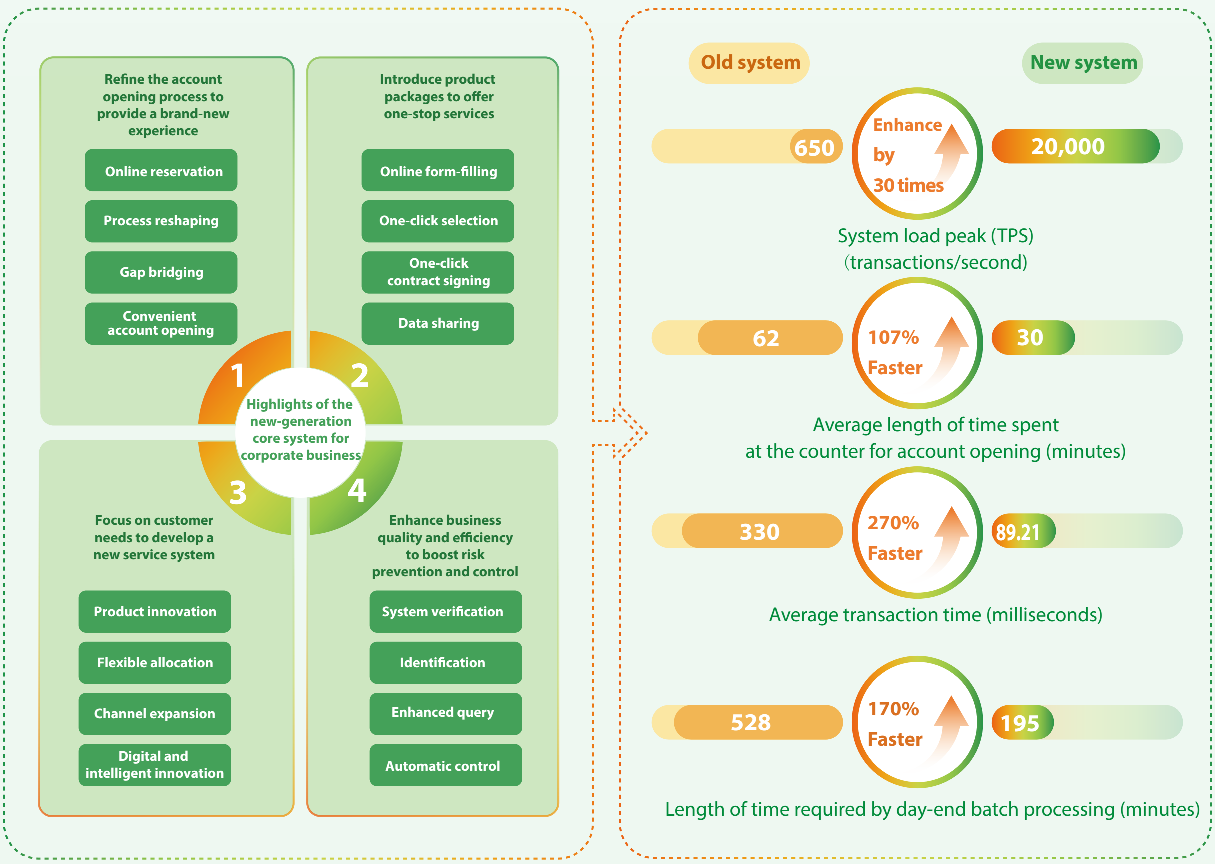
Column

Developing Core Business Systems to Forge Technological Strength

The new-generation core system for corporate business was fully launched on January 27, 2024. This system re-used the technical platform foundation and distributed architecture from the new-generation core system for personal business. Built on domestically-produced servers, domestic operating systems, and domestic databases, it enabled empowerment and upgrading in six key areas: customer service, product innovation, data integration, risk management and control, differentiated services, and agile development to meet personalized demands. In this way, the system represents another step forward for the Bank in advancing self-reliance and control over key technologies.

The new system improved the corporate account opening process. By reshaping processes, refining the system and bridging the gaps, the Bank cut the time customers spent at the counter by more than 50%, which led to a significant improvement in customer experience. Additionally, the Bank introduced one-stop service and product packages that bundle frequently-used products and services. This allows its customers to sign contracts for up to seven products with a single click and offers more convenient, preferential, and comprehensive service experience. Furthermore, the Bank developed a new system of digital and intelligent cash management products and services, which allowed customers to flexibly select from and combine 12 types of cash management products. The workflow was restructured and the length of time by front-office processing was reduced by 90%. The transaction of cash management products was also streamlined, which cut about 12 processing steps and sped up the transaction time by 270%. The Bank also made comprehensive improvements in the quality, efficiency, and risk management of its corporate business. By implementing "less manual entry, more display, strong verification, and multiple associations", the Bank significantly increased the success rate of one-time business processing. The system now supports a 10-year query range and a 2-year query span, which further reduces manual operations, improves the interactive experience, and strengthens compliance control.

During the reporting period, the third phase of the new-generation core system for credit card business was launched. A data migration platform was developed, which paved the way for a smooth and orderly transition to the new system. Meanwhile, the Bank began building the core system for financial management and the third-generation core system for treasury operations, so as to improve the quality and efficiency of the digital transformation of financial and treasury businesses.



Financial Technology

Accelerating the Formation of New Quality Productive Forces

Guided by its IT Planning for the 14th Five-Year Plan period, the Bank cemented the foundation of workplace safety, pursued self-reliance and strength in science and technology, and intensified efforts to train financial technology personnel. By boosting functional integration, inter-segment collaboration, and coordination between the Head Office and branches, the Bank worked to rapidly develop refined and digital technological capabilities and continuously boosted technology-driven support.

Cementing the Foundation of Workplace Safety

While enhancing cloud platform capabilities and technological innovation, the Bank established a multi-cloud, one-stop standard cloud resource pool based on the open-source ecosystem, completed the pilot development of a large model-based arithmetic cloud resource pool, and enabled cross-cloud application of resources under distributed storage. During the reporting period, more than 500 thousand virtual central processing units (vCPUs) were added, which effectively supported the smooth migration of system resources. The large model-based heterogeneous arithmetic clusters gained the initial capability to support the training of large models with up to 100 billion parameters.

Continuous progress was made in enhancing security protection and operational support. The Bank improved its security management system, strengthened organizational support for security, and further solidified the foundation of internal control management. The Bank continuously advanced the building of a data classification and grading management system, and conducted data security assessments and emergency drills. Additionally, the Bank improved R&D security, launched large model-based security applications, and increased the intelligent level of R&D security management.

Intelligent operation and maintenance (O&M) were promoted to ensure business continuity. The application of platform automation scenarios, such as unified monitoring and integrated O&M, was expanded to branches. A personalized O&M assistant was developed to explore the trial application of large models in O&M scenarios. These initiatives enhanced the O&M efficiency and ensured the continuity and availability of banking services.

Working to Achieve Greater Self-reliance and Strength in Science and Technology

The Bank built up its middle office capabilities. By moving away from the silo product development model, it developed open, shared, scenario-based, and intelligent business support capabilities that have been applied across various business areas such as credit, marketing, and operations, driving rapid iteration and innovation in products and services. Guided by a development philosophy that emphasizes standardization, service quality, and agile collaboration, the technology middle office continued to enhance technical support. It provided over 14 thousand enterprise-level services across 932 business scenarios. This approach allowed the Bank to better leverage cutting-edge technology to create greater business value. The data middle office offered over 1.6 thousand data services and 326 related application programming interfaces (APIs), which at their peak registered up to 40 million daily visits, supporting multiple scenarios, including proactive credit extension and rural revitalization. The big data platform launched a real-time data warehouse, capable of accessing real-time data and supporting 36 real-time business scenarios such as risk control and marketing.

The Bank kept increasing the level of testing for empowerment. It achieved 100% coverage of independent testing for end-to-end transactions and system-wide chains. While taking special initiatives to improve user experience, the Bank developed the Stellar Platform, an AI-enabled testing engine, with an automated testing coverage rate exceeding 70%. Additionally, it introduced a large model for R&D testing, with functions such as intelligent testing, intelligent Q&A, etc.

Building a Versatile Workforce

Focusing on refined team management, the Bank established a multi-level and multi-channel IT talent training framework and accelerated the development of the "Sharp • Light • Star" training model for professional growth. Additionally, the Bank advanced its internal recruitment program, created a platform for the exchange and collaboration of technical professionals, continuously implemented the empowering training program for "backbone workers and elites" at branches, and helped IT personnel grow and develop.

The Bank strengthened the capacity building in business-technology integration. Three teams, namely the business R&D team, the customer service engineer team and the data analysis team, were built to enhance synergy between technology and business, thus continuously improving the Bank's ability to gain insights into customers, industry trends and market dynamics.

Column

Intensifying Training of Technological Personnel to Shape Professional Competitiveness

The Bank actively promoted the spirit of model workers, work ethic, and the spirit of craftsmanship, and encouraged model workers to play an exemplary role. It established several innovation studios for model workers and craftsmen (hereinafter referred to as innovation studios).

Led by model workers and craftsmen with notable strengths in technology, business, innovation, and management, these studios focus on technological, management, service, and institutional innovation, with the aim to address work-related challenges and drive innovative development across the Bank. Each studio, consisting of three or more members, operates as a closely cooperating team in areas such as technological research, project development, skill transfer, counter service, and public well-being. They are equipped with fixed premises and necessary facilities, where they display their profiles, organizational structures, work duties, policies, and goals and tasks. While establishing a complete set of management policies/measures and work ledgers, the studios implement one to two innovation projects annually to advance scientific and technological, product, service, and management innovations.

The fintech innovation studio has made many achievements in basic IT research, architectural improvement, digital transformation, business-technology integration, IT planning, research and application of new technologies, and user experience enhancement. It has built a team of innovative talents with strong execution, cohesiveness and professional capabilities, which could provide new technological impetus for the Bank's high-quality business development. The studio has become a think tank, a source of innovation, a task force, a talent incubator, and a benchmark for team development. In this sense, it contributes to public participation in innovations.

Simultaneously, the Bank has enriched its three-tiered talent team, comprising young, backbone and leading employees, and worked to promote and apply research results. This approach aims to create a diverse intellectual environment and recruit a specialized, high-quality, and dynamic IT workforce. In doing so, the Bank could write a new chapter of "accelerated" development of digital finance.

Channel Development

The Bank promoted the "cloud counter" new service model for digital, intelligent, and intensive operation.

The Bank launched "PSBC Enterprise Assistant", a brand-new applet and WeChat Corporate Banking.

Monthly active users (MAU) of mobile banking reached 75.2 million.

PSBC Fujian Branch actively participated in the "2024 College Entrance Examination Express" public benefit activity. Staff members of the Bank hung jasmine sachets on free shuttle buses to and from testing centers, to wish the candidates success in their exams.

With a focus on customer service, the Bank continuously enhanced its channel development through innovative reform, elevated customer experience via both online and offline channels and enhanced customer service capabilities via multi-channel coordination. It developed new modes of convenient services and financial service scenarios to better address the growing and diverse financial needs of its customers.

Offline Service Channels

The Bank continuously enhanced the competitiveness of its business outlets, which are recognized as core advantageous resources of the Bank and are also an important support for advancing inclusive finance and serving the real economy. Through continuous improvement of the overall competitiveness of its business outlets, the Bank aimed to facilitate its high-quality development.

The Bank kept optimizing its network of outlets. It relocated or withdrew those densely distributed outlets with limited development potential to improve the quality and efficiency of financial services. During the reporting period, a total of 21 outlets were optimized and adjusted. The Bank invested more resources in counties and lower-level areas to enhance the accessibility of financial services. As at the end of the reporting period, the Bank had 39,326 business outlets. Among the new outlets opened in the first half of 2024, 56 were county outlets, accounting for 78% of new outlets, with six located in key counties receiving national assistance for rural revitalization, as well as in regions of Xinjiang and Xizang managed under similar policies. Additionally, the Bank expanded its outlet coverage in new towns, districts, industrial parks, and other key regions to better align outlet resources with regional financial service demands. Eight new outlets were inaugurated in free trade zones, the top 1,000 towns in the country, and other high-potential areas. The Bank also advanced the development of brand flagship stores and the renovation of existing outlets, with over 5.2 thousand outlets renovated and 60 flagship stores opened. These efforts upgraded the brand image of the outlets and provided customers with a more welcoming and comfortable service environment.

The Bank continuously enhanced its customer service capabilities. It operated a total of 40,750 self-service banking facilities, including 39,314 on-site and 1,436 off-site facilities. The Bank added and optimized over 360 new functions for self-service equipment, with a particular focus on expanding government-service functions. Intelligent Teller Machines (ITMs) supported more than 400 government affairs functions, such as social security, medical insurance, and housing provident fund. This significantly extended the reach of services that impact people's well-being.

The Bank took comprehensive steps to enhance the service experience at its outlets. The Bank continued to carry out special activities to improve network service and took a range of measures including refining service processes, improving the service environment, promoting "caring services", and building a team of internal trainers for outlet services. All of these were aimed to provide customers with a high-quality service experience. The Bank continuously optimized the elderly-friendly services at outlets, and introduced age-friendly facilities such as courtesy counters, courtesy seats, and barrier-free ramps. Additionally, the Bank offered attentive services, such as prioritizing elderly customers in queues, providing dedicated attention during their visits, and offering proactive assistance.

The Bank continued to develop the "PSBC Care Stations" service brand. It opened 5,638 "PSBC Care Stations" to the public. These stations offered public benefit services such as government services and social insurance services, books, legal aid, legal awareness programs, and assistance for the elderly. During the reporting period, the Bank organized over 5,000 themed activities, including celebrations for the 2024 Chinese New Year with outdoor workers, support for college entrance examination candidates, and festivities for the Dragon Boat Festival, which benefited more than 2.36 million person-times, including outdoor workers, college entrance examination candidates, individuals in need, and the elderly.

The PSBC Care Station of PSBC Chongqing Branch created a comfortable waiting environment for college entrance examination candidates.

Leveraging the "Lingxi" customer experience management system, the Bank proactively and dynamically monitored scenario-based customer satisfaction, developed a customer experience evaluation system to accurately identify and address key issues, and established a mechanism for real-time early warning and journey improvement and reshaping, which formed a closed-loop management process of "monitoring – optimization – evaluation" to create first-class customer experience.

The Bank accelerated the transformation of its outlets into marketing and service centers, enhanced customer identification at these locations, and offered personalized product recommendations for customers. Additionally, the Bank enhanced services for key customers, sent timely reminders of customer arrival to customer managers, and established standardized and tailored lobby guidance and marketing service processes.

Online Service Channels

Personal Mobile Banking

Committed to developing professional core competencies, the Bank focused on making mobile banking the primary platform for customer interaction and management. During the reporting period, the Bank continuously improved customer experience. It launched the English version of mobile banking and improved services for foreigners in China; it also consolidated basic services and refined functions such as fund transfer records. Additionally, the Bank integrated customer management platform functions, provided enterprise-level marketing middle-office services, and created a closed-loop customer journey through omni-channel, digital, and three-dimensional services. As at the end of the reporting period, the Bank had 370 million mobile banking users. During the reporting period, the number of monthly active users (MAU) reached 75.2 million, and the transaction volume totaled RMB9.83 trillion.

Channel Development

Corporate Electronic Banking

The Bank coordinated various channels to build a micro-ecosystem of corporate electronic banking. It launched the "PSBC Enterprise Assistant" WeChat applet and the "PSBC Corporate Micro-banking" WeChat official account as two corporate customer service channels, which support nearly 30 scenario-based easy and convenient services such as account overview, bank-enterprise reconciliation, and operational management, serving as an integrated mobile platform to reach customers and provide financial services.

The Bank continuously upgraded the service capabilities of its corporate online banking by keeping improving its functions. The Bank introduced a shared-screen service on corporate online banking. Through "screen sharing and real-time voice communication", the Bank could offer remote operation guidance and business consulting for customers when they log in and use the corporate online banking platform. The Bank also added a bill categorization module for asset-liability analysis and introduced a bill supervision function for authorized accounts and a corporate credit report function on the PC terminal. These steps enhanced the comprehensive online management of financial assets for corporate customers. As at the end of the reporting period, corporate online banking had 1.5293 million contracted customers, an increase of 8.40% from the end of the previous year. These customers registered a transaction volume of RMB14.54 trillion, up by 83.12% year on year.

Focusing on value creation, the Bank continued to enrich its corporate financial services on mobile terminals. It introduced 13 new financial products, including inter-bank agency payroll services, international settlement, and "PSBC E Discounting" on its corporate mobile banking. The Bank also launched services tailored for specific customer groups, such as specialized and sophisticated enterprises that produce new and unique products and entities involved in rural revitalization. Additionally, it implemented a remote customer manager service mode to offer professional solutions for lending and wealth management as well as product recommendation services to improve the quality and efficiency of online operations. As at the end of the reporting period, corporate mobile banking had 723.8 thousand contracted customers and served 1.1905 million users, an increase of 29.71% from the end of the previous year.

Credit Card App

During the reporting period, the Bank launched a new version of the PSBC Credit Card app, with the goal of creating an app that is both high-quality and distinctive. The Bank continually improved business processes of various functions, updated the app's interface and improved user experience, and developed the app into a core online platform for the credit card business. The Bank completed 83 improvement initiatives and 239 function updates for the app. Focusing on both new and existing customers, the app empowered credit card users throughout their entire lifecycle. For new customers, account activation together with quick payment binding as well as walk-through guidance were introduced on the app. For existing customers, the Bank restructured the homepage to highlight entrances to three main activities, refined the installment service interface, and added a feature of one-click credit line adjustment. Other enhancements included desktop widgets, a digital space on the negative one screen, device-shaking interactions, and commands to invoke Siri. These improvements boosted the app's intensive operation capabilities, standardized activity interfaces, significantly accelerated activity launches, and enhanced support for branch activities.

As at the end of the reporting period, the PSBC Credit Card app had 28.5073 million users, an increase of 17.18% from the end of the previous year, and 34.8778 million credit cards were linked to the app, an increase of 20.35% over the end of the previous year.

Remote Service Channels

Remote Banking Services

The Bank was committed to enhancing remote intelligent customer services through digital and intelligent means. During the reporting period, the Bank expanded its use of next-generation digital employees and introduced the cartoon image of the digital customer service agent "PSBC Xiaomeng" to diversify its digital employee lineup. These digital employees offered personalized services to customers on a 24/7 basis. The Bank broadened its remote service modes and scenarios. Specifically, it launched an exclusive customer service WeChat official account and WeChat Channel account and improved the operation of its live-streaming platform to build a comprehensive new media service matrix. These initiatives made the Bank's services more convenient and interactive. Additionally, the Bank explored the application of audio and video technologies, large models, and virtual technology, among others, to further advance intelligent remote services.

Credit Card Customer Service Hotline

The Bank enhanced its credit card hotline service through innovation and focused on digital and intelligent operations. The intelligent robot and video service were upgraded to support transaction functions, while digital employees and the online customer service hall were re-launched after a complete redesign to create a new mode of intelligent service. The intelligent robot, available 24/7, provided digital and intelligent services to 1.87 million person-times. The Bank introduced a new digital and intelligent operating model by launching the corporate banking WeChat official account, which continuously facilitated customer acquisition, increased customer engagement and drove profit growth. Additionally, the Bank introduced a new comprehensive omni-channel customer journey to refine customer experience with meticulous attention to detail and empower improvements in customer satisfaction. The Bank also made coordinated efforts and ensured the smooth operation of its hotline. During the reporting period, the answer success rate by manual response was over 97%, and the customer satisfaction with manual service was 99.72%.

A customer conducted transactions using self-service equipment with the guidance from the PSBC digital avatar

Digital Operation Services

The Bank continued to promote the application of digital, intelligent, and intensive customer-service model at its outlets. It accelerated the promotion of "cloud counter" service model. New technologies such as audio-video communication and intelligent routing were utilized to improve the quality and efficiency of self-service equipment and mobile service devices through the collaboration of "on-site + remote" operations, which enabled outlets to reduce costs and improve efficiency. As at the end of the reporting period, a total of 8,127 pieces of self-service equipment and 9,360 mobile business development devices had adopted the "cloud counter" service model. During the reporting period, "cloud counter" provided services to 4.45 million person-times.

AI technology was leveraged to accelerate intensive operations. The Bank explored innovative application scenarios for "digital avatar" plus "cloud counter" service on self-service equipment. It launched pilot programs that used digital avatars for business guidance and review. The digital avatars were used to provide remote business guidance and standardized information review for some transactions via self-service equipment with the "cloud counter" mode. Through these efforts, the Bank continuously enhanced its ability to empower customer service and improve the customer experience by using AI technology.

The Bank's digital avatar service interface

Channel Development

Column

Accelerating Promotion of E-CNY and Putting in Place Innovative Scenarios

Under the guidance of the PBOC, the Bank accelerated the promotion of the e-CNY program and completed the R&D tasks assigned by the central bank with high standards. The Bank continuously enhanced its e-CNY products and services and made significant progress in developing e-CNY scenarios. By consistently creating a wide range of convenient payment scenarios, such as electricity bill payments, movie ticket purchases, and online shopping with e-CNY, the Bank fully leveraged its strengths in e-CNY, unleashed its potential for innovation, and accelerated the launch of new scenarios. These efforts helped improve the payment service environment and contributed to the growth of digital finance. As at the end of the reporting period, the Bank ranked first among all operating institutions nationwide in the number of customers who opened personal wallets via the e-CNY app.

The Bank promoted the scenarios of prepaid payment through smart contract signing at a faster pace. It brought 37 merchants into the Secure Pay on the e-CNY app. These merchants fully covered six major scenarios: education and training, daily traveling, supermarket shopping, sports and fitness, catering, and hairdressing and beauty. The Bank ranked first in the industry in terms of the number of merchants.

Qingdao Yuanxin, an e-CNY hardware wallet

The Bank innovatively used e-CNY hardware wallets. It issued "Qingdao Yuanxin", the first e-CNY hardware wallet in the form of an airbag phone holder in the country. Additionally, the Bank launched the first e-CNY hardware wallet application nationwide with a delayed deduction feature. This application allows users to pay after taking the subway even if they do not have enough money or if their smartphones are powered off or not connected to the internet. In practice, users can pass through by simply tapping fare gates with their hardware wallets. The Bank also led the way in introducing e-CNY hardware wallets for alumni associations and issued various types of hardware wallet products for exhibitions and offline payment scenarios, including a wallet themed on the China Science Fiction Convention.

The Bank explored applications in cross-border payments. The Bank actively participated in the multi-central bank digital currency bridge project, known as Project mBridge. It has utilized Project mBridge to facilitate cross-border payment and settlement for enterprises, with a focus on bulk commodities and cross-border logistics. Through this project, the Bank is able to provide efficient services such as peer-to-peer, agentless transfers and real-time fund transfers and introduces an innovative channel for cross-border business based on the blockchain technology. Additionally, the Bank supported the exchange of e-CNY with seven currencies, including USD, EUR, and HKD, via its mobile banking platform. This further enhanced payment convenience for its customers.

The Bank took the lead in making breakthroughs in the insurance sector. With support from the PBOC Digital Currency Institute and the Shijingshan District Government, the Bank, in collaboration with PICC Payment, Bank of China Insurance Information Technology Management Co., Ltd., and other institutions, introduced a real-name payment solution for auto insurance using e-CNY. This marks the first application of e-CNY in real-name insurance payments.

Human Resources and Institution Management

Human Resources Management

In terms of developing cadres and a professional workforce, the Bank firmly implemented General Secretary Xi Jinping's three requirements on officials, namely, officials must be politically upright, competent and strictly disciplined in conduct. The Bank developed a contingent of high-caliber financial cadres and a professional workforce with the loyal, upright and responsible character in line with the above requirements. The Bank broadened the range of rankings of the employees at the community level, and made good use of its human resources to strengthen its frontline teams in local communities as well as the marketing team. It also refined the management mechanism for leading professionals at the Head Office level to fully utilize the expertise of high-caliber talents and let them play an exemplary role. In addition, by implementing a dual-channel promotion system that combines management and professional advancement, the Bank promoted staff members in an orderly way to build a competitive edge with core personnel.

In terms of personnel training, the Bank continued to deepen talent development and training, and strengthened the building of talent teams on all fronts. During the reporting period, the Bank established a training framework covering all employees and positions throughout the lifecycle of employees' career development by starting with the systematic empowerment training, and built corresponding categorized, layered, and specialized education and training content systems. The Bank intensified the Party's innovative theoretical education and political training and organized all its employees to participate in the special training class for understanding and implementing the guiding principles of the Central Financial Work Conference. Based on its needs for business development, the Bank conducted multi-tiered and categorized training to enhance employees' ability to fulfill their duties. The Bank organized a special training class for senior executives to study and implement the guiding principles of the Central Financial Work Conference and enhance their political ability, as well as the "Qiji" (steed) training camp and other training programs for outstanding young managers to enhance their business management ability. The Bank took an integrated approach to train employees who work at key business lines to enhance their competency and professionalism, and enhanced training for those who work on the frontline such as responsible persons at outlets, wealth managers and customer managers to increase their practical professional abilities. The Bank attached importance to the training of new employees. It advanced the "U + Talent" training program for them, assisted them in a targeted way through the mentoring system, organized training and work at lower-level branches, integrated multi-post training and rotation with activities such as regular review and fieldwork, kept following up on their development and established a long-term training mechanism. By leveraging various mechanisms and platforms, including two-way exchanges between the Head Office and community-level institutions, support for branches in difficulty, cross-branch personnel exchanges and recruitment, aid to Xinjiang, Xizang, and Qinghai, as well as programs for poverty alleviation and education support, the Bank strategically deployed promising employees to the training ground for real-world practice to further enhance their capability.

In terms of remuneration and benefits management, the Bank improved its compensation distribution mechanism. It emphasized value creation while effectively ensuring fairness. It increased compensation allocated to front-line employees and core management personnel who made significant contributions, with the aim to stimulate the vitality of the workforce. Additionally, the Bank improved the deferred payment and clawback mechanism for performance-based salary, updated the remuneration payment system to align with risk exposures, helped guide employees to balance business development with risk control and fostered the Bank's sound and sustainable growth. The Bank continuously refined its employee benefits package to strengthen employees' sense of security, belonging, and happiness.

Human Resources and Institution Management

Employees

As at the end of the reporting period, the Bank had a total of 192,922 employees, among whom, there were 178,084 contracted employees (including 1,664 in majority-owned subsidiaries) and 14,838 dispatched employees.

The Bank's Employees by Age

Item	Number of employees	Percentage (%)
Up to 30 years old (inclusive)	31,360	17.61
31-40 years old	85,376	47.94
41-50 years old	42,976	24.13
Over 51 years old (inclusive)	18,372	10.32
Total	178,084	100.00

The Bank's Employees by Education Background

Item	Number of employees	Percentage (%)
Master's degree and above	19,246	10.81
Bachelor's degree	134,892	75.74
Associate degree	21,311	11.97
Others	2,635	1.48
Total	178,084	100.00

Institution Management

Located in Beijing, the Head Office of the Bank serves as the hub for decision-making and management of the Bank. The Bank has established tier-1 branches in the capital cities of provinces, autonomous regions, municipalities, and cities with independent planning status. As the operation management center within the corresponding regions, tier-1 branches are responsible for managing all sub-branches in their respective areas and directly report to the Head Office. Tier-2 branches are generally set up in the prefecture-level cities in provinces and autonomous regions. In addition to their own operation and management functions, tier-2 branches are also responsible for managing subordinate institutions, and report to the tier-1 branches in their respective regions. Tier-1 sub-branches primarily undertake the functions of business operations and outlet management, and report to the tier-2 branches they are affiliated to. Tier-2 sub-branches primarily undertake the function of business operation.

During the reporting period, the Bank continued to optimize its organizational structure to better support the implementation of its strategies and business development. It promoted personnel improvement at tier-2 branches nationwide, and started the reform in all tier-2 branches. It refined institutional setting and staffing in tier-2 branches, and allocated more human resources to business operations and community-level institutions.

As at the end of the reporting period, the Bank had 7,973 institutions, including the Head Office, 36 tier-1 branches, 324 tier-2 branches, 2,223 tier-1 sub-branches, 5,386 tier-2 sub-branches, and three majority-owned subsidiaries.

The Bank's Branches, Sub-Branches and Employees by Geographical Region and Asset Size

In RMB million, except for percentages or otherwise stated

Region	Asset size	Percentage[1] (%)	Number of institutions	Percentage (%)	Number of employees	Percentage (%)
Head Office	7,218,072	30.74	1	0.01	8,440	4.74
Yangtze River Delta	2,684,677	11.44	896	11.24	20,183	11.33
Pearl River Delta	1,591,361	6.78	724	9.08	18,462	10.37
Bohai Rim	2,642,176	11.25	1,121	14.06	25,881	14.53
Central China	5,002,506	21.31	2,358	29.58	45,228	25.40
Western China	3,187,201	13.58	2,098	26.31	40,552	22.77
Northeastern China	1,151,466	4.90	775	9.72	19,338	10.86
Total	16,413,529[2]	100.00	7,973	100.00	178,084	100.00

Note (1): The proportion of total assets in each region is calculated based on the aggregated data before offsetting.
Note (2): Total assets are the amount after internal offset, and the offset amount is RMB7,063,930 million.
Note (3): The Bank has one Credit Card Center as a specialized institution besides the institutions disclosed above.

Human Resources and Institution Management

Extraordinary Tasks: A Feature Film on Managerial Personnel Supporting Rural Areas

In times of exceptional development, extraordinary individuals are essential. The Bank produced a feature film titled "Extraordinary Tasks", highlighting the efforts of 48 managerial staff members from the Head Office and branches who were deployed to branches facing development challenges during 2022-2023. The film portrays how they brought both financial resources and expertise to underserved areas and collaborated with local colleagues to drive development in a spirit of vigor and action.

As at the end of the reporting period, the feature film was released through the WeChat official account of the PSBC Labor Union, garnering over 200 thousand views. The film received high praise from both within and outside the Bank.

Ge Liang, Personal Banking Department of the Head Office

Beijing ----> Kunming, Yunnan

Extraordinary Tasks

Wang Zhibin, Henan Qixian County Sub-branch

Qixian County, Henan ----> Ordos, Inner Mongolia

Gu Kunpeng, Anhui Bengbu Branch

Bengbu, Anhui ----> Shenyang, Liaoning

Scan the QR Code to watch the feature film "Extraordinary Tasks"

Risk Management

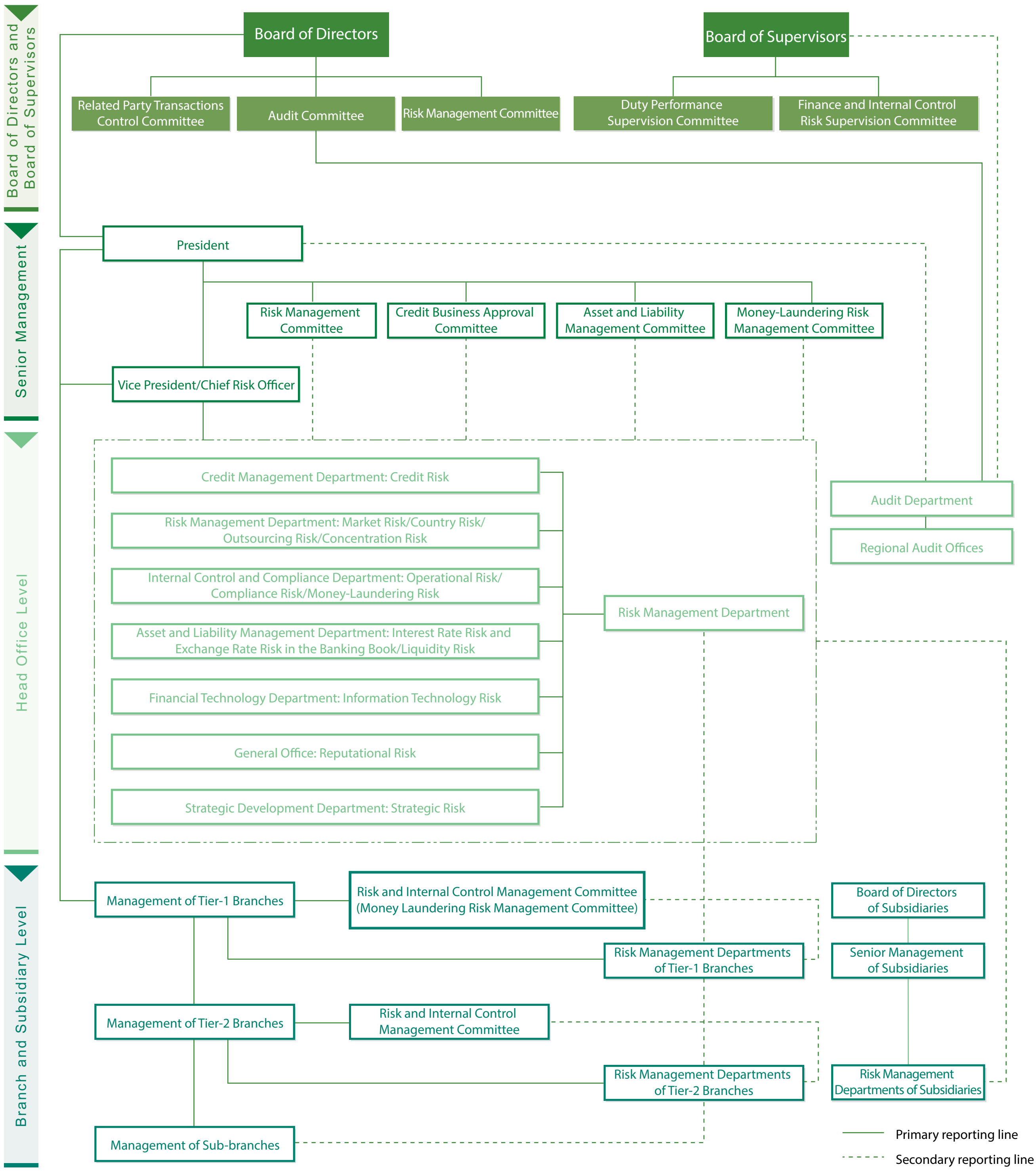
Risk Management Organizational Structure

The Board of Directors assumes ultimate responsibilities for comprehensive risk management. It is responsible for establishing the risk culture; formulating and approving risk management strategies; setting and approving the risk appetite and ensuring the establishment of risk limits; reviewing and approving major risk management policies and procedures; monitoring comprehensive risk management implemented by the senior management; reviewing comprehensive risk management reports; reviewing and approving disclosure of comprehensive risks and various significant risks; appointing Chief Risk Officer; and performing other duties related to risk management.

The Board of Supervisors assumes the responsibility for supervising the comprehensive risk management, and is responsible for supervising the Board of Directors and the senior management in fulfilling their duties of risk management and urging them to make rectifications.

The senior management assumes the responsibilities for the implementation of comprehensive risk management and execution of the Board's resolutions. It is responsible for setting up the operation and management structure in line with the requirements of comprehensive risk management; clarifying the division of responsibilities among departments responsible for comprehensive risk management, business departments and other departments in risk management; establishing an operational mechanism with effective coordination and balanced power across departments; and formulating a clear execution and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetite and risk limits. It sets risk limits according to the risk appetite determined by the Board of Directors, including but not limited to dimensions such as industry, region, customer, product, etc. It also formulates risk management policies and procedures, evaluates them regularly and adjusts them when necessary. It assesses overall risks and the management of various material risks, and reports to the Board of Directors. It establishes a sound management information system and a data quality control mechanism, oversees breaches of risk appetite and/or risk limits, and violations of risk management policies and procedures, and deals with them under the authorization of the Board of Directors. It also assumes other responsibilities of risk management.

Risk Management Organizational Structure



Note: Other risks not mentioned above have been incorporated into the Bank's comprehensive risk management framework.

Three Lines of Defense

The Bank kept improving the "three lines of defense" for internal control, classified major risks such as credit risk, market risk, and operational risk, and incorporated all institutions and departments into the "three lines of defense".

The first line of defense refers to the business management departments, tier-1 and tier-2 sub-branches, and agency business institutions associated with relevant risks, all of which bear the primary responsibilities for risk prevention and control. The second line of defense refers to risk management departments, internal control and compliance departments, and leading management departments for relevant risks, which are responsible for coordinating, supervising and reviewing the work related to risk and internal control. The third line of defense refers to the audit and the discipline inspection departments which supervise the first and second lines of defense.

Comprehensive Risk Management

With refined management as the guiding principle, the Bank pressed ahead with the digital and intensive transformation of risk management, strove to enhance its risk prevention and control capabilities under the new situation, and improved the early correction mechanism for financial risks with rigid constraints to identify, issue warnings about, expose and dispose of risks as early as possible. Through these efforts, we effectively prevented and defused financial risks and ensured no material risks arose.

Always upholding a prudent and sound risk appetite, the Bank continuously improved the comprehensive risk management system featuring "all aspects, whole process and entire staff". It made steady progress in the compliance and implementation of the advanced approaches for capital management, and continuously refined capital measurement and risk management. Meanwhile, the Bank accelerated the application of intelligent risk control tools to effectively support various operations such as customer entry, pricing, limit setting, monitoring, early warning, and collection, promoting the intelligent and refined management throughout the entire credit process. The "Year of Sunshine Credit" campaign was launched to foster a credit culture that emphasizes "openness, transparency, integrity, righteousness, compliance with the law, self-discipline, effective supervision, and strict accountability". The Bank carried out targeted risk screening, continuously phased out high-risk customers, and intensified efforts to prevent, control, and resolve risks in key areas. Moreover, it consolidated the foundation for compliance and case prevention management, enabled the three lines of defense to fully play their roles, advanced the mechanism for discussing industry cases, and tightened systemic and rigid control over the problems found in examinations.

Risk Appetite

Risk appetite is the type and level of risks that the Board of Directors of the Bank is willing to bear while pursuing its strategic business objectives. It represents a balance among income, capital and risk, and enables the Bank to undertake the risk compatible with its business strategies and management capabilities and to create value through risk management.

The Bank upheld a prudent and sound risk appetite, aimed to balance stable growth and risk prevention, closely followed changes in internal and external risk environment, focused on risk prevention in key fields, and set management objectives against all types of major risks in line with the strategic positioning adopted by the Bank Group, the Bank and its subsidiaries. In doing so, it aimed to make sure that risks were generally under control and continuously empowered the stable operation and high-quality development of all businesses across the Bank.

Intelligent Risk Control

The Bank vigorously advanced the digital transformation of risk management and gradually built a targeted, in-time, and comprehensive intelligent risk control framework. In the field of retail banking risk control, the Bank supported the model of direct operation of proactive credit extension. It continuously iterated on models in customer entry, pricing, credit line approval, and collection, etc., enhanced online operation capabilities throughout the lending process such as list-based customer mining, customer entry, and overdue collection, made a reasonable balance between volume, price, and risk, improved customer experience and created a differentiated growth pole for the Bank. In the field of risk control for non-retail business, the Bank optimized the big data risk forecast model, developed a multi-dimensional relation graph, and enhanced the ability to explore complex correlations and identify enterprise risks based on contagion relationships. In terms of fraud risk prevention and control, the Bank actively developed an intelligent risk control model framework for anti-telecommunication fraud that covers the full process (ex ante, interim and ex post), conducted research and development of ex ante risk behavior identification models, iterated the warning management and control models for in-progress transactions, continued to strengthen the ex post comprehensive risk examination models, established a closed-loop management process of "fraud identification – monitoring – investigation and disposal", and improved the proactive prevention and control capability in credit and telecommunications network fraud risks. In the field of consumer protection, the Bank launched an intelligent model for categorizing complaints based on large models, and realized functions such as intelligent monitoring and risk clue alerts. In the field of legal review, the Bank developed an intelligent model for legal text review to assist reviewers in identifying contractual risks, effectively improving the efficiency of legal reviews of relevant contracts. In the field of internal control and compliance, based on its library of regulations and internal policies, the Bank adopted intelligent document parsing technology and knowledge graph technology to develop an automated review tool which helped reduce efforts for compliance review of the content and format of the regulations and policies and improve the review efficiency. In the field of money laundering risk prevention and control, the Bank applied machine learning and knowledge graph technology, conducted research and development of an AI warning model to screen out suspicious transactions and anti-money laundering graph, dug into clues of money launderers, and enhanced the efficiency of manual analysis and the quality of monitoring and analysis of suspicious transactions. In the field of intelligent risk control infrastructures, the Bank made continuous progress in building a big data foundation for financial risks, and strengthened a cluster of digital and intelligent risk control systems covering the whole business process. It promoted the application of the comprehensive risk management system at both the Head Office and branch levels, providing support for the risk management at both the Head Office and branches.

Advanced Approaches for Capital Management

The Bank continuously deepened the application and development of advanced approaches, and actively made preparations for the implementation of advanced approaches in accordance with the Rules on Capital Management of Commercial Banks. It continued to engage in risk parameter calibration and iterative model optimization, which effectively enhanced the prudence and accuracy of model results. Rating management requirements were further strengthened to improve system control functions in a targeted way. The Bank intensified risk mitigation and collateral management, and optimized the identification criteria for qualified mitigation. The Bank continued to improve the functions of various systems, and completed the development of tools such as the tool for information disclosure during the transition period. Additionally, risk parameters were further applied in pricing, impairment, and other areas to enhance refined management. The Bank also conducted self-assessment and validation concerning compliance with advanced approaches, aligned with the latest regulatory requirements in an all-round way, and improved the effectiveness of risk management tools in light of its operational and management practices.

Credit Risk

Credit risk refers to the risk of loss caused by the default or the deterioration of the credit rating and repayment ability of the debtor or the counterparty. The main sources of the Bank's credit risk include: credit business, treasury business (including deposits and placements with banks and other financial institutions, resale agreements, investment in corporate bonds and financial bonds, inter-bank investment, etc.), off-balance sheet credit business (including guarantee, commitment, etc.).

The Bank's organizational system of credit risk management is as follows: the Board of Directors undertakes the ultimate responsibilities for credit risk management; and the Board of Supervisors undertakes the supervisory responsibilities for credit risk management. The senior management undertakes the responsibilities for implementation of credit risk management, and is responsible for the implementation of resolutions approved by the Board of Directors on credit risk. Under the senior management, the Risk Management Committee and the Credit Business Approval Committee are responsible for credit risk management and approving credits within the scope of authorization, respectively. Each business department shall bear the primary responsibility for credit risk prevention and control, and implement policies, standards and requirements of credit risk management in its field of business in accordance with the division of functions; departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and others are responsible for the overall planning, supervision and review of credit risk prevention and control, among which the Credit Management Department is the leading department of credit risk management, and internal audit departments exercise independent and objective supervision over the performance of duties in credit risk management.

Credit Risk Management

Providing precise guidance and deepening industry research

The Bank supported the development of five priorities and allocated more financial resources to key areas and weak links such as scientific and technological innovation, green development, Sannong, SMEs, inclusive elderly care, and financial digitization and intellectualization. The Head Office and branches collaborated to refine the development direction for the credit business in line with industry research results. Additionally, the Bank formulated an action plan for serving new quality productive forces to contribute to the development of a modernized industrial system and accelerate the development of new quality productive forces.

Conducting refined governance with a focus on key areas

The Bank focused on preventing and controlling financial risks in key areas and accurately and effectively managed credit risks. Specifically, it optimized approval and authorization management to tighten access control over real estate and local financing platforms. It strengthened supervision over and guidance for large-value high-risk customers to reduce exposures; systematically sorted out key product elements and business processes related to retail credit to guard against concentration risks; and intensified efforts to address risk issues in critical areas such as cooperative institutions and key personnel to make risk management and control more proactive. Additionally, the Bank managed early-warning signals across the board to promote the in-depth sharing and integration of early warning information between the "Jinjing" (Gold Eye) system and business systems, and optimized differentiated and routine early warning-based control over key regions and customers.

Enhancing capacity and efficiency to enhance value contribution

The Bank initiated a three-year action plan for enhancing capacity and efficiency of asset preservation, advanced the accurate disposal of non-performing assets (NPA), continuously intensified efforts in NPA liquidation and disposal, and sped up the implementation of the intensive transformation of asset preservation. The Bank steadily pushed forward the development of the "Jinwei" (Gold Guard) NPA management system and relied on technology empowerment to improve digital and intelligent asset preservation. During the reporting period, the Bank disposed of a total of RMB30,350 million of on- and off-balance-sheet principal and interest of NPLs, representing a year-on-year increase of 13.63%. This included RMB11,127 million from cash collection, RMB10,290 million from bad debt write-offs, RMB8,854 million from NPA securitization, and RMB79 million from other means.

Sparing no efforts to empower and improve the system support

The Bank improved the management mechanism for its personal loan business and ensured unified credit management for legal entity clients through concrete efforts. It advanced collateral appraisal, adhered to the four principles of "independence, professionalism, collaboration, and efficiency", strengthened the review of valuation reasonableness and consolidated the foundation for the effectiveness of mitigation. It connected related businesses to the one-stop real estate mortgage registration system wherever possible and made progress in launching the one-stop vehicle pledge registration. Additionally, it optimized key aspects of compliance of credit reporting to further enhance overall credit reporting compliance.

Column

Fostering a "Sunshine Credit" Culture to Safeguard Healthy Business Development

The "sunshine credit" culture is a valuable asset that the Bank has long upheld and developed to maintain an excellent level of overall asset quality. To implement the guiding principles of the Central Financial Work Conference, deem risk prevention and control as a long-lasting focus of financial work, actively foster a financial culture with Chinese characteristics, and safeguard the legitimate rights and interests of financial consumers, the Bank launched the "Year of Sunshine Credit" campaign throughout 2024 to foster a credit culture that emphasizes "openness, transparency, integrity, righteousness, compliance with the law, self-discipline, effective supervision, and strict accountability" to effectively ensure the sustained and high-quality development of its credit extension business.

During the campaign, the Bank rolled out several important initiatives. First, it implemented the "sunshine credit" service commitment, organized all credit extension personnel to sign a commitment letter, issued a public notice on the application of the "sunshine credit" service supervision cards, and standardized the transparent operation of the credit extension business. Second, the Bank intensified education and training on "sunshine credit" to instill this culture deeply in the minds and hearts of all personnel, thereby solidifying the defense line for employees to perform their duties with integrity and compliance. Third, the Bank engaged in public communication about "sunshine credit" to vigorously promote the culture and effectiveness of related activities, disseminated knowledge of financial consumption, ensured smooth channels for applying for financing and protected the legitimate rights and interests of financial consumers. Fourth, the Bank improved the supervision mechanism for "sunshine credit". It accepted supervision and reports from both internal and external supervision sources, rigorously cracked down on violations of laws, regulations, and disciplines, and continuously developed a clean, professional, and competent workforce.

Credit Risk Analysis[1]

Non-Performing Loans Structure by Collateral

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)(1)	Amount	Percentage (%)(1)
Unsecured loans	23,776	32.94	20,746	30.75
Guaranteed loans(2)	7,398	10.25	7,184	10.65
Loans secured by mortgages(2)(3)	39,865	55.23	38,353	56.85
Loans secured by pledges(2)(4)	1,140	1.58	1,177	1.75
Discounted bills	–	–	–	–
Total	72,179	100.00	67,460	100.00

Note (1): Calculated by dividing the balance of non-performing loans secured by each type of collateral by total non-performing loans.

Note (2): Represents the total amount of loans fully or partially secured by collateral in each category. If a loan is secured by more than one form of collateral, the classification would be based on the primary form.

Note (3): Represents loans secured by assets that are still under the possession of the borrower, and mainly includes loans secured by buildings and fixtures, land use rights, machinery, equipment and vehicles.

Note (4): Represents loans secured by possession of or registration as the holder of assets, which mainly include moveable property, certificates of deposit, financial instruments, intellectual property rights and the rights to obtain future cash flows.

Aging Analysis of Overdue Loan Structure

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for 1 to 90 days	34,464	0.40	25,826	0.32
Overdue for 91 to 180 days	17,718	0.20	13,046	0.16
Overdue for 181 days to 1 year	16,856	0.20	15,293	0.19
Overdue for 1 to 3 years	19,004	0.22	16,814	0.21
Overdue for over 3 years	3,404	0.04	3,050	0.03
Total	91,446	1.06	74,029	0.91

1 The total loans to customers in the "Credit Risk Analysis" section in this report exclude accrued interest.

Overdue Loans to Customers by Geographical Region

In RMB million, except for percentages

	June 30, 2024		December 31, 2023	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	5,916	6.47	5,777	7.80
Yangtze River Delta	16,244	17.76	13,184	17.81
Pearl River Delta	12,630	13.81	9,256	12.50
Bohai Rim	11,030	12.06	8,875	11.99
Central China	22,433	24.54	17,051	23.04
Western China	18,027	19.71	15,619	21.10
Northeastern China	5,166	5.65	4,267	5.76
Total	91,446	100.00	74,029	100.00

Loan Concentration

In RMB million, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)	Percentage of net capital (%)[1]
Borrower A[2]	Transportation, storage and postal services	130,024	1.51	10.66
Borrower B	Transportation, storage and postal services	17,306	0.20	1.42
Borrower C	Transportation, storage and postal services	14,931	0.17	1.22
Borrower D	Mining	14,064	0.16	1.15
Borrower E	Transportation, storage and postal services	13,466	0.16	1.10
Borrower F	Transportation, storage and postal services	13,275	0.15	1.09
Borrower G	Transportation, storage and postal services	12,315	0.14	1.01
Borrower H	Transportation, storage and postal services	11,915	0.14	0.98
Borrower I	Transportation, storage and postal services	11,075	0.13	0.91
Borrower J	Manufacturing	9,795	0.11	0.80

Note (1): Represents loan balances as a percentage of the Bank's net capital, calculated in accordance with the Rules on Capital Management of Commercial Banks.

Note (2): Percentage of loans to the largest single borrower = balance of loans to the largest borrower/net capital x 100%. The largest borrower refers to the borrower with the highest balance of loans at the period end. As at the end of the reporting period, China State Railway Group Co., Ltd. was the Bank's largest single borrower. The outstanding loan balance with China State Railway Group Co., Ltd. was RMB130,024 million, accounting for 10.66% of the Bank's net capital. The credit line the Bank extended to China State Railway Group Co., Ltd. includes the legacy credit line of RMB240.0 billion which was approved by the relevant regulatory authorities. As at the end of the reporting period, the outstanding loan balance under such credit line for China State Railway Group Co., Ltd. was RMB114.5 billion. After deduction of this RMB114.5 billion, the Bank's balance of loans to China State Railway Group Co., Ltd. accounts for 1.27% of the Bank's net capital.

Distribution of Loans by Five-Category Classification

In RMB million, except for percentages

Item	June 30, 2024		December 31, 2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	8,495,467	98.35	8,005,761	98.49
Special mention	70,366	0.81	54,952	0.68
Non-performing loans	72,179	0.84	67,460	0.83
Substandard	14,281	0.17	22,019	0.27
Doubtful	19,789	0.23	16,420	0.20
Loss	38,109	0.44	29,021	0.36
Total	8,638,012	100.00	8,128,173	100.00

Distribution of Non-Performing Loans by Product Type

In RMB million, except for percentages

Item	June 30, 2024			December 31, 2023		
	NPL balance	Percentage (%)	NPL ratio (%)(1)	NPL balance	Percentage (%)	NPL ratio (%)(1)
Personal loans						
Consumer loans						
Residential mortgage loans	11,831	16.39	0.50	12,793	18.96	0.55
Other consumer loans	8,780	12.16	1.55	9,391	13.92	1.81
Personal micro loans	28,746	39.83	1.88	23,946	35.50	1.73
Credit card overdrafts and others	3,854	5.34	1.73	3,745	5.55	1.71
Subtotal	53,211	73.72	1.14	49,875	73.93	1.12
Corporate loans						
Corporate loans(2)	10,327	14.31	0.43	10,372	15.38	0.47
Small business loans	7,503	10.39	1.10	6,102	9.04	1.05
Trade finance	1,138	1.58	0.25	1,111	1.65	0.26
Subtotal	18,968	26.28	0.54	17,585	26.07	0.55
Discounted bills	–	–	–	–	–	–
Total	72,179	100.00	0.84	67,460	100.00	0.83

Note (1): Calculated by dividing the balance of non-performing loans in each product type by total loans in that product type.
Note (2): Consist of general corporate loans and advances.

Distribution of NPL Formation Ratio[1] by Product Type

%

Item	June 30, 2024	December 31, 2023	Increase/(decrease)
Personal loans			
Consumer loans			
Residential mortgage loans	0.36	0.44	(0.08)
Other consumer loans	2.15	2.74	(0.59)
Personal micro loans	1.98	1.93	0.05
Credit card overdrafts and others	3.34	3.54	(0.20)
Subtotal	1.22	1.26	(0.04)
Corporate loans			
Corporate loans[2]	0.08	0.37	(0.29)
Small business loans	1.21	1.22	(0.01)
Trade finance	0.01	0.00	0.01
Subtotal	0.25	0.42	(0.17)
Discounted bills	–	–	–
Total	0.74	0.85	(0.11)

Note (1): Calculated by dividing the sum of the difference between the NPL balance at the end of the period and the NPL balance at the beginning of the period of each product category and the amount collected, disposed of, and adjusted upwards during the period by the total amount of loans at the beginning of the period of that product category. This is the annualized NPL formation ratio.

Note (2): Consist of general corporate loans and advances.

Distribution of Non-Performing Loans by Geographical Region

In RMB million, except for percentages

Item	June 30, 2024		December 31, 2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	3,862	5.35	3,747	5.55
Yangtze River Delta	12,749	17.66	11,680	17.31
Pearl River Delta	9,552	13.23	8,190	12.14
Bohai Rim	8,349	11.57	8,024	11.90
Central China	18,659	25.85	16,905	25.06
Western China	15,092	20.91	15,244	22.60
Northeastern China	3,916	5.43	3,670	5.44
Total	72,179	100.00	67,460	100.00

Domestic Non-Performing Corporate Loans by Industry

In RMB million, except for percentages

Item	June 30, 2024		December 31, 2023	
	Amount	NPL ratio (%)	Amount	NPL ratio (%)
Transportation, storage and postal services	559	0.07	576	0.07
Manufacturing	3,456	0.61	3,332	0.65
Production and supply of electric power, heat, gas and water	187	0.07	224	0.08
Financial services	9	0.00	–	–
Wholesale and retail	2,962	1.04	2,272	0.96
Construction	1,439	0.63	993	0.50
Real estate	6,420	2.25	6,191	2.45
Mining	8	0.01	4	0.00
Water conservancy, environmental and public facilities management	1,552	0.57	1,726	0.93
Leasing and commercial services	1,517	0.63	1,539	0.74
Agriculture, forestry, animal husbandry and fishery	166	0.35	163	0.54
Information transmission, computer service and software	291	1.27	150	0.76
Accommodation and catering	88	0.93	109	1.45
Residential services and other services	65	1.28	79	1.79
Culture, sports and entertainment	31	0.19	38	0.22
Others(1)	218	0.48	189	0.50
Total	18,968	0.54	17,585	0.55

Note (1): Mainly include education, scientific research and technical services, health and social security, etc.

Movements of Allowance for Impairment Losses on Loans

Allowance for Impairment Losses of Customer Loans at Amortized Cost

In RMB million

Item	June 30, 2024 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2024	158,240	12,691	62,717	233,648
Transfers:				
Transfer to stage 1	2,308	(1,569)	(739)	–
Transfer to stage 2	(3,069)	3,866	(797)	–
Transfer to stage 3	(1,799)	(4,063)	5,862	–
Changes of ECL arising from transfer of stages	(1,799)	12,175	20,334	30,710
Financial assets derecognized or settled during the period	(27,602)	(1,600)	(11,643)	(40,845)
New financial assets originated or purchased	36,115	–	–	36,115
Remeasurement	(18,046)	322	2,602	(15,122)
Write-offs	–	–	(10,290)	(10,290)
Loss allowance as at June 30, 2024	144,348	21,822	68,046	234,216

Allowance for Impairment Losses of Customer Loans Measured at Fair Value Through Other Comprehensive Income

In RMB million

Item	June 30, 2024 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2024	818	1	–	819
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(1)	1	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stages	–	4	–	4
Financial assets derecognized or settled during the period	(660)	(1)	–	(661)
New financial assets originated or purchased	586	–	–	586
Remeasurement	55	–	–	55
Write-offs	–	–	–	–
Loss allowance as at June 30, 2024	798	5	–	803

Large Risk Exposure Management

In strict accordance with the requirements of the Rules on Large Exposure of Commercial Banks, the Bank bolstered information system support for large risk exposure management, improved the monitoring and early warning management system for large risk exposure, strengthened control of customer concentration risk, and tightened consolidated management of large risk exposure, to continuously improve refined management capabilities of credit risk.

Market Risk

Market risk refers to the risk of losses in banks' on- and off-balance sheet businesses arising from adverse movements in market prices (including interest rate, exchange rate, stock price and commodity price). The major market risks that the Bank is exposed to include interest rate risk and exchange rate risk.

The Bank strictly follows the relevant regulatory requirements on market risk management and has established a market risk management framework commensurate with the nature, scale and complexity of the Bank's businesses. The Board of Directors undertakes the ultimate responsibilities for overseeing the market risk management; the senior management is responsible for formulating, periodically reviewing and monitoring the implementation of the market risk management policies and procedures; the Risk Management Department is responsible for conducting market risk management, the Asset and Liability Management Department is responsible for managing the interest rate and exchange rate risk in banking book, and each business department is responsible for the market risk management in its field of business in accordance with the division of functions.

During the reporting period, the Bank closely tracked market movements, continued to carry out market risk monitoring and analysis, improved the mechanism for managing and controlling market risks, reinforced market risk management at the Group level and comprehensively improved the refined management capabilities of market risk.

Classification of Trading Book and Banking Book

The Bank classifies on- and off-balance sheet assets and liabilities into trading book and banking book. The trading book includes financial instruments, foreign exchange and commodity positions held by the Bank for the purposes of trading or hedging the risks of other items in the trading book as well as other instruments identified by the NFRA. Except for instruments in the trading book, all other instruments are included in the banking book.

Market Risk Management for Trading Book

The Bank manages the market risk of trading book by adopting multiple methods such as sensitivity analysis, exposure analysis, profit or loss analysis, and stress testing.

During the reporting period, the Bank continued to deepen market risk management, took solid steps to advance the implementation of the New Rules on Capital Management of Commercial Banks, refined the market risk management systems and policies, and improved the function for measuring market risk capital with the new standardized approach, so as to ensure that the new rules could be implemented on schedule. It formulated an annual limit scheme for market risk, introduced a larger number of limit indicators under the new standardized approach from more dimensions, and strengthened the transmission of the risk appetite and capital. Moreover, the Bank continuously refined the market risk management system, improved risk valuation models, enhanced the monitoring of the treasury business process, and digitalized market risk management.

Market Risk Management for Banking Book

Management of Interest Rate Risk in Banking Book

Interest rate risk in banking book refers to the risk that causes losses to the economic value and overall earnings of the banking book due to adverse changes in interest rate and maturity structure, etc. The interest rate risk in the Bank's banking book mainly arises from the mismatch between the repricing periods of assets and liabilities as well as the inconsistent changes in their pricing basis.

The Bank mainly carried out management of interest rate risk in the banking book through repricing gap analysis, net interest income and economic value sensitivity analysis, limit management, duration management, stress testing, proactive adjustment of asset-liability structure and other methods. During the reporting period, the Bank implemented a prudent management strategy for interest rate risk in the banking book, paid close attention to changes in domestic and overseas economic landscapes and financial markets, and strengthened the limit control of key businesses. It maintained a suitably matched maturity structure of assets and liabilities, actively promoted separate repricing of loans, and further refined interest rate risk management. During the reporting period, the overall interest rate risk in the Bank's banking book remained stable, and all risk indicators met the regulatory requirements.

Interest Rate Risk Analysis

Interest Rate Risk Gap

In RMB million

Item	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
June 30, 2024	(2,765,428)	334,511	(210,183)	1,365,134	1,396,164	750,678
December 31, 2023	(216,303)	(1,164,746)	(967,824)	954,439	1,586,589	640,145

Interest Rate Sensitivity Analysis

We assume that the market interest rates move up or down in parallel, the repricing cycles of loans, time deposits and other businesses are determined according to the contract and the repricing cycles of non-fixed-term businesses such as demand deposits are set as overnight. Regardless of the risk management activities that may be taken by the management to mitigate interest rate risk, the interest rate sensitivity analysis of the Bank's banking book is as follows:

In RMB million

Basis point movements in yield rate	(Decrease)/Increase in net interest income as at June 30, 2024	(Decrease)/Increase in net interest income as at December 31, 2023
Upward parallel shift of 100 bps for yield curves	(24,824)	(15,670)
Downward parallel shift of 100 bps for yield curves	24,824	15,670

Exchange Rate Risk Management

Exchange rate risk refers to the risk of losses in foreign exchange exposure arising from unbalanced foreign exchange assets and liabilities due to adverse movements in exchange rates. During the reporting period, the foreign exchange exposure of the Bank remained relatively stable. Relevant indicators of exchange rate risk met regulatory requirements, and the exchange rate risk was controllable on the whole.

During the reporting period, the Bank paid close attention to geopolitical events and the global situation in economy and finance, actively studied and estimated market exchange rate trends, and dynamically monitored and analyzed foreign exchange exposure limits. It regularly conducted stress testing, strengthened risk monitoring, explored proactive management approaches for foreign exchange exposure, and ensured that the exchange rate risk of the Bank was within an acceptable range.

Exchange Rate Risk Analysis

For analysis of the Bank's exchange rate risk, please refer to "Notes to the Condensed Consolidated Financial Statements – 41.4 Market risk – Foreign exchange rate risk".

Currency Concentration

In RMB million

	June 30, 2024			
Item	USD (in RMB equivalent)	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total
Spot assets	61,705	535	7,215	69,455
Spot liabilities	(38,048)	(3,005)	(8,281)	(49,334)
Forward purchases	160,382	5,734	20,319	186,435
Forward sales	(167,402)	(2,804)	(19,681)	(189,887)
Net long/(short) position	16,637	460	(428)	16,669

	December 31, 2023			
Item	USD (in RMB equivalent)	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total
Spot assets	75,038	848	7,979	83,865
Spot liabilities	(39,744)	(3,301)	(1,726)	(44,771)
Forward purchases	59,458	6,740	2,939	69,137
Forward sales	(74,261)	(3,777)	(9,371)	(87,409)
Net long/(short) position	20,491	510	(179)	20,822

Liquidity Risk

Liquidity Risk Management

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial banks at a reasonable cost in a timely manner to repay matured debts, fulfill other payment obligations and meet other financial needs of normal operation.

Governance Structure of Liquidity Risk Management

The governance structure of the Bank's liquidity risk management consists of the systems for decision making, execution and monitoring. Among them, the decision-making system includes the Board of Directors and its Risk Management Committee, as well as the senior management of the Head Office and its Asset and Liability Management Committee and Risk Management Committee; the execution system comprises the department responsible for liquidity management, departments leading the management of on- and off-balance sheet businesses, Risk Management Department, the Information Technology Department and the Operation Management Department of the Head Office, and relevant departments of branches and sub-branches; the monitoring system consists of the Board of Supervisors, and departments responsible for internal audits, legal affairs and compliance, etc.

Objective, Strategy and Policy of Liquidity Risk Management

The objective of liquidity risk management of the Bank is to effectively identify, measure, monitor and control liquidity risk via the establishment of a scientific and comprehensive liquidity risk management system, and to ensure the liquidity demand is satisfied and its payment obligation to external parties is fulfilled promptly at a reasonable cost under the normal operation scenario and the stress scenario. The Bank adheres to a prudent and sound liquidity risk management strategy to strike a balance between fund sources and utilization in terms of their amount, structure, and maturities. The Bank, in accordance with requirements of regulatory policies, changes in external environment as well as the characteristics of its business, formulates liquidity risk management policies such as those on limit management, intraday liquidity management, stress testing, and contingency plans, manages the liquidity risk of the Bank in a centralized manner and clarifies that the affiliates assume primary responsibilities for their liquidity risk management.

Liquidity Risk Management Method

The Bank pays close attention to changes in macroeconomic situation and monetary policies, closely monitors liquidity conditions in the market and of the Bank, and strengthens trend forecast and analysis on factors affecting liquidity. It strictly implements limit management, reinforces asset-liability portfolio management and matching, and effectively controls the risk of maturity mismatch. It adheres to the philosophy of maintaining high-quality liability development, ensures a stable source of deposits, uses interbank liabilities as a tool to replenish liquidity shortfalls or adjust liquidity positions, and further diversifies sources of funds. The Bank strengthens the management of fund positions to meet various payment requirements. It also strengthens liquidity risk consolidation management to ensure safety of the Group's liquidity. Meanwhile, the Bank regularly conducts stress tests and emergency response drills to enhance its capacity for liquidity contingency management. It continues to improve its liquidity management system to increase the application of information and smart technologies in management.

Key Factors Affecting Liquidity Risk

In addition to changes in macroeconomic situation, monetary policies and market liquidity conditions, liquidity risk of the Bank may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by borrowers, overdue payment of debtors, excessive maturity mismatch of assets and liabilities, difficulties in liquidating assets, and weakening in financing ability, etc.

During the reporting period, commercial banks were faced with a complex and volatile environment for liquidity risk management. The Bank focused on the impact of external factors such as macroeconomic situation, market liquidity and changes in fund prices on liquidity. It also paid close attention to the fluctuation of funds from internal sources, as well as total size, structure and maturity of assets and liabilities, and strengthened forward-looking and proactive management to effectively balance safety, liquidity and efficiency.

Liquidity Risk Stress Testing

The Bank performs liquidity risk stress testing every quarter to test the risk tolerance under stress scenarios and constantly improves stress testing methods based on regulatory and internal management requirements. During the reporting period, the stress testing results indicated that the Bank could pass the minimum viability test under various stress scenario assumptions.

Liquidity Risk Analysis

The Bank's liabilities were stable as its major source of funds was retail deposits. Its assets were highly liquid, with a relatively large proportion of qualified high-quality bonds. Its overall liquidity position was sufficient, safe and manageable. As at the end of the reporting period, the liquidity ratio of the Bank was 97.67%, the liquidity coverage ratio was 242.91%, and the net stable funding ratio was 169.19%, all meeting the regulatory requirements.

For the details of the Bank's liquidity coverage ratio and net stable funding ratio, please refer to "Appendix: Supplementary Information".

Liquidity Gap Analysis

The table below shows the net liquidity position of the Bank as of the indicated dates. For details, please refer to "Notes to the Condensed Consolidated Financial Statements - 41.5 Liquidity Risk".

In RMB million

Item	Overdue	Repayable on demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
June 30, 2024	21,261	(3,835,533)	(150,375)	(283,155)	(4,038,569)	3,410,101	4,489,503	1,257,643	870,876
December 31, 2023	15,035	(3,935,590)	(635,188)	(1,668,430)	(1,578,122)	2,820,698	4,558,237	1,255,660	832,300

Operational Risk

Operational risk refers to the risk of losses resulting from problems in internal procedures, employees and IT systems, or from external events. The operational risks which the Bank may be exposed to mainly include internal fraud, external fraud, employment rules and workplace safety, customers, products and business activities, damage to physical assets, IT systems, as well as execution, delivery and process management. During the reporting period, the Bank's operational risk and operational risk loss ratio were kept at a relatively low level.

The Bank continuously improved its operational risk management system to effectively utilize operational risk management tools. In strict compliance with regulatory requirements, it revised and issued five internal documents, including the Measures for Operational Risk Management, to further enhance the operational risk management systems and policies. Focusing on areas susceptible to regulatory penalties and cases and considering industry research results, the Bank reviewed and restructured selected key business processes into new templates. Five bank-wide indicators, such as regulatory penalties and industry cases, were added after key risk indicators were reassessed to further refine a set of key risk indicators for operational risk. It standardized the collection of data on operational risk events and losses, consolidated the foundation for operational risk management, and promoted the bank-wide analysis and application of loss data to improve the refined management of operational risk. Additionally, the Bank continued to enhance the intelligent level of the operational risk management system through various measures, such as improving system functions through agile and iterative methods, refining the three major operational risk management tool modules, improving capital measurement functions, upgrading the operational risk cockpit, and enhancing the analysis capability of the operational risk management system. Moreover, the Bank continuously advanced the operational risk management of agency outlets and intensified efforts to implement tools for more efficient management of operational risk at agency outlets.

Legal Risk

Legal risk refers to the risk of commercial banks suffering from adverse legal consequences including legal liabilities, loss of rights and reputational damage due to violation of laws and regulations or terms of contract during the banks' operation, non-compliance with laws and breach of contracts by others including the counterparty to the contract, and significant changes in the external legal environment. During the reporting period, the Bank's legal risk was manageable in general.

The Bank continued to improve its legal risk management framework and enhanced its legal risk management, prevention and control capabilities. It updated and issued legal review guidelines in line with new laws and regulations and continued to improve legal reviews in a more professional and standardized manner. By launching a specialized campaign to "reduce case backlog and control new cases for effective management", the Bank managed lawsuits from the source, actively provided guidance on litigation, improved the overall level of litigation management, and enhanced the ability of the institutions at all levels to proactively prevent and control legal risk. Efforts were intensified to enhance authorization management, improve annual authorization, and strengthen the service supporting role of authorization in business development. Additionally, the Bank reinforced intellectual property rights (IPR) management, encouraged scientific and technological innovation, and advanced the creation, utilization and protection of IPRs. It disseminated legal knowledge among front-line staff in light of actual business conditions and worked to create a favorable atmosphere of "learning about, observing, and applying the law". Moreover, the Bank improved the legal affairs system, put online AI-assisted legal review tools based on large models, and increased technological support for legal risk prevention and control.

Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties and significant financial and reputational losses as a result of failure to comply with laws, regulations and rules. During the reporting period, the Bank strictly adhered to regulatory requirements, maintained operational compliance, took solid steps to develop a compliance management framework, and integrated compliance into every aspect of its operations and management. In doing so, it ensured that compliance risk remained manageable overall.

The Bank continued to oversee the review of compliance risk, closely monitored the latest regulatory penalties, and prioritized compliance from the source. During the reporting period, the Bank reviewed over 500 new internal rules and regulations, new products, new businesses and meeting materials and issued more than 1,100 pieces of opinion along with them. The Bank carried out a comprehensive examination and assessment of internal rules and regulations to strengthen the management and improve the system of internal rules and regulations. It also pooled rules and regulations of both the Head Office and branches for centralized and unified management. The Bank developed and implemented form review and format review functions for the document review platform, and made these functions available for all employees. The Bank strengthened compliance risk monitoring, increased efforts to promptly interpret new regulatory rules, issued regulatory information and risk alerts, intensified efforts to understand and study regulatory policies, and strictly adhered to laws, regulations, and regulatory requirements.

Anti-Money Laundering

Money laundering risk refers to the risk arising from illegal activities such as money laundering, terrorist financing and proliferation financing caused by the use of businesses and products by illegal criminals. In strict compliance with laws and regulations concerning anti-money laundering (AML), the Bank fulfilled in earnest its AML-related statutory obligations and corporate social responsibilities, vigorously advanced its efforts for digitalized and centralized AML management, and continuously improved money laundering risk management. During the reporting period, the Bank had no significant money laundering risk events, and the money laundering risk was overall under control.

Guided by a risk-based AML management approach, the Bank emphasized sticking to principles while making innovations, leveraged cutting-edge technologies, improved its management mechanisms and workflows, and continuously strengthened the fulfillment of core AML obligations, including customer due diligence, retention of customer identification information and transaction records, and monitoring and analysis of suspicious transactions. By doing so, the Bank enhanced the compliance and effectiveness of its AML efforts. The Bank continued to improve its AML rules and regulations by issuing the Measures for Managing AML Training and Publicity of Postal Savings Bank of China and the Measures for Managing AML and Suspicious Transaction Monitoring Standards of Postal Savings Bank of China. It enhanced the AML duty performance mechanism along the three lines of defense at all levels and effectively embedded various AML measures into business processes. Aligned with regulatory requirements and actual work conditions, the Bank further refined compliance standards for customer due diligence. It undertook in-depth governance of basic customer identity information, improved long-term, dynamic checking, prompting, updating and control mechanisms, and comprehensively enhanced the compliance and effectiveness of relevant information. The Bank actively carried out AML-related financial literacy initiatives, which included all-employee awareness activities to support customer due diligence and protect customers' legitimate rights and interests. To design better assessment models and indicators, the Bank formulated the 2024 Self-Assessment Plan for Money Laundering and Terrorist Financing Risks, under which the second corporate-level self-assessment was conducted. It continued to improve the compliance and effectiveness of suspicious transaction monitoring standards and explored the application of machine learning models and graph algorithm models.

The Bank standardized the manual screening process of suspicious transactions and strengthened screening guidance and quality review. It iterated and improved the new-generation AML system to better leverage AML technology, and conducted in-depth AML data governance to constantly consolidate the data foundation for AML work.

Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural and human factors, technological loopholes and management flaws when applying information technology. During the reporting period, the operations of the Bank's information systems were overall smooth, no material security incident occurred, and various monitoring indicators of IT risk were within a reasonable range.

Guided by its IT Planning for the 14th Five-Year Plan period, the Bank strengthened the integration of functions and synergy among different segments, made every effort to speed up the building of refined and digitalized technological capabilities, improved the top-level design of IT system management, and advanced the transformation of the IT governance structure. These steps continuously enhanced the level of IT governance and risk management. The Bank improved its cybersecurity management framework, increased the level of system security, enhanced the protection of key information infrastructures, and made solid progress in the implementation of cybersecurity plans. It strengthened data security management and advanced data classification and grading in batches. It enhanced IT outsourcing management, and strictly implemented the requirements for outsourcing risk identification, assessment, monitoring and disposal. Moreover, the Bank reinforced the management of backup systems for disaster recovery, improved the emergency response mechanism, and ensured uninterrupted services during critical periods and business peaks. In doing so, the Bank kept improving its business continuity management.

Reputational Risk

Reputational risk refers to the risk resulting from negative comments by stakeholders, the public, media and other parties due to a banking institution's behaviors, employees' behaviors or external events, etc., which damages the brand value, adversely affects normal operations, and even affects market and social stability. During the reporting period, public opinions about the Bank remained overall positive, and no major reputational incident occurred. Through effective reputational risk management, the Bank created a favorable external public opinion environment for the transformation and development of the Bank and the implementation of various key tasks. The proper management of reputational risk also contributed to the sound and steady development of the banking industry and a favorable online public opinion environment.

Upholding the reputational risk management concept of "addressing both symptoms and root causes, with a focus on root causes", the Bank strictly implemented regulatory requirements and integrated reputational risk management into the comprehensive risk management framework. It kept strengthening the coordinated management of reputational risk and other types of risk, and continuously enhanced the refined management of reputational risk. It pressed ahead with the management of reputational risk at earlier stages, carried out screening and pre-assessment of reputational risk, conducted in-depth analysis of hidden reputational risk, and took prompt, targeted steps for risk control. The Bank prioritized list-based management of key reputational risks and hazards, made a comprehensive list of key reputational risks and hazards at the Head Office level, and ensured that the Head Office and branches cooperate effectively to fulfill their responsibilities for tracking and controlling reputational risk. Meanwhile, the Bank continuously intensified public opinion monitoring and dealt with negative public opinions appropriately. It carried out public opinion monitoring around the clock, and promptly notified the relevant organizations to conduct assessments and take appropriate measures for sensitive and negative public opinions concerning relatively highly sensitive topics and had a certain level of influence. It continuously utilized information technology to improve the quality and effectiveness of reputational risk management, constantly upgraded system functions, and gave full play to the role of science and technology in supporting the management of reputational risk. With the main focus on telling PSBC stories well and leveraging its distinctive features, the Bank effectively carried out publicity activities on key themes such as supporting the real economy, serving rural revitalization, supporting spring farming and preparations at the beginning of the year, assisting summer farming activities, financing SMEs, developing green finance, protecting rights and interests of financial consumers, and developing five priorities in the financial sector. It ensured effective publicity by coordinating the use of various media resources, enhancing outreach to both lower-tier markets and key urban branches. These efforts helped the Bank continue to accumulate reputational capital.

Strategic Risk

Strategic risk refers to the risk arising from improper operational strategies or the changes in the external environment of commercial banks. During the reporting period, the Bank continued to improve its management of and control over strategic risks, and the strategic risk was generally under control.

The Bank actively implemented the guiding principles of the 20th CPC National Congress and the Central Financial Work Conference and maintained strategic determination. Focusing on the objectives and guidelines of the 14th Five-Year Plan, it continued to enhance competence, pursue innovation, and strengthen management to highlight five priorities in the financial sector. By integrating its resource endowments with its commitment to serving critical areas of the real economy, the Bank made every effort to facilitate high-quality economic development. While closely monitoring internal and external developments, the Bank fully identified and monitored various risk factors during strategy implementation and built a strategic risk management framework that could match its business scale and product complexity. Additionally, the Bank comprehensively evaluated strategic implementation, adopted key strategic initiatives, conducted persistent and in-depth strategic research, and continuously improved the effectiveness of its strategic management efforts.

Country Risk

Country risk refers to the risk of the inability or refusal of the debtors of a country or region to repay their debts owed to the bank, or commercial benefit loss or other losses suffered by the bank in that country or region due to changes and incidents occurred in its politics, economy and society. During the reporting period, the Bank's country risk exposure was mainly concentrated in low-risk countries or regions, and country risk was generally controllable.

In strict accordance with regulatory policies related to country risk, the Bank adopted a series of management tools to control country risk, which included country risk ratings, country risk limits, and country risk exposure calculation and monitoring. It revised country risk management measures in line with new regulatory rules and improved the top-level design of country risk management. Amid an increasingly complex international political and economic landscape, the Bank closely tracked changes in country risk exposures, continuously monitored and reported on the implementation of country risk limits, and effectively controlled country risk.

Climate Risk

Climate risk refers to the potential adverse effects of climate change on the natural system and the economic and social system, mainly including physical risks and transition risks. Among them, physical risk refers to the risk of events such as climate anomalies and environmental pollution that may lead to severe damage to the balance sheets of enterprises, households, banks, insurance companies and other market entities, which in turn affects the financial system and the macro economy. Transition risk refers to the risk of repricing of high-carbon assets and financial losses due to significant tightening of relevant policies such as carbon emissions or technological innovations, in order to address climate change and promote low-carbon economic transformation. During the reporting period, the Bank's climate risk was generally under control.

The Bank continued to improve its climate risk database, refined the description of automatic early warnings about environmental risks, and added detailed records of regulatory measures imposed on customers in the past three years, such as environmental penalties. For the eighth consecutive year, it conducted ESG and climate risk screenings on energy-intensive and carbon-intensive enterprises, and formulated risk mitigation measures for relevant customers on a case-by-case basis. Additionally, it explored developing an ESG rating system for corporate clients in the steel industry.

Risk Consolidated Management

Risk consolidated management refers to the continuous improvement of the comprehensive risk management framework of a bank group and its subsidiaries, and the management process of effectively identifying, measuring, monitoring and controlling the overall risk of the bank group. Pursuant to regulatory requirements, as at the end of the reporting period, the Bank's subsidiaries were all incorporated into its risk consolidated management framework, and the overall risk of the Bank Group was under control.

The Bank strictly followed national policies and relevant regulatory requirements, ensured no systemic risks arose, and continuously improved the risk consolidated management of the Bank Group. Focusing on the Bank Group's risk appetite plan, the Bank kept the risk of its subsidiaries within an acceptable range. It developed rational risk control and compliance assessment plans to ensure that all risk limits and compliance requirements were effectively implemented and prioritize the appraisal of regulatory compliance constraints. The Bank also continued to improve the long-term risk monitoring mechanism for subsidiaries and refined the risk information reporting mechanism to maintain a comprehensive and timely understanding of their risk levels and management conditions. In addition, the Bank strengthened risk isolation management across the Bank Group, improved the management of business coordination, achieved the balance between business collaboration and risk isolation, and effectively prevented risk contagion among institutions of the Bank Group.

Capital Management

The objective of the Bank's capital management is to maintain a stable and reasonable capital adequacy level, and continuously meet regulatory policies and macro-prudential requirements; comprehensively establish and apply a value management system centered on economic capital, strengthen capital constraints, and communicate the concept of value creation; and continuously consolidate the Bank's capital base, improve the endogenous growth of capital and proactively expand channels for external capital replenishment.

During the reporting period, the Bank continued to improve its capital management system, effectively implemented regulatory requirements, enhanced refined capital management, steadily improved capital replenishment from internal sources, and replenished capital through external sources in a reasonable and orderly manner. As a result, it further built up its capital strength and effectively supported the sustainable and healthy development of various businesses. As at the end of the reporting period, the Bank's capital indicators stayed within a reasonable range, and the capital adequacy ratios and the leverage ratio continued to meet all regulatory requirements including additional requirements for domestic systemically important banks and maintained at a sound and reasonable level.

The Bank fully implemented the requirements of the new rules on capital management, continuously enhanced the refinement level of risk management and capital management, and highlighted the implementation effectiveness of the new rules on capital management on all fronts with a focus on tasks such as improving exposure category, optimizing business processes, enhancing data quality and deepening the application of advanced approaches. Moreover, the Bank worked to improve the structure of business assets using risk-adjusted return on capital (RAROC) as the yardstick, strove to further refine the management of capital measurement, and supported the healthy, standardized and orderly business development.

Capital Adequacy Ratio

According to the Rules on Capital Management of Commercial Banks, the Bank measured credit risk by standardized approach, market risk by standardized approach, and operational risk by standardized approach. As at the end of the reporting period, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.28%, 11.60%, and 14.15%, respectively, details of which are as follows:

Capital Adequacy Ratio

In RMB million, except for percentages

	June 30, 2024		December 31, 2023[1]	
Item	The Group	The Bank	The Group	The Bank
Core tier 1 capital – net	799,366	776,385	780,106	757,568
Tier 1 capital – net	999,498	976,371	950,258	927,554
Net capital	1,219,300	1,195,101	1,165,404	1,141,720
Risk-weighted assets	8,613,974	8,532,993	8,187,064	8,119,361
Credit risk-weighted assets	8,060,984	7,997,732	7,680,735	7,628,202
Market risk-weighted assets	84,488	84,488	56,108	56,108
Operational risk-weighted assets	468,502	450,773	450,221	435,051
Core tier 1 capital adequacy ratio (%)	9.28	9.10	9.53	9.33
Tier 1 capital adequacy ratio (%)	11.60	11.44	11.61	11.42
Capital adequacy ratio (%)	14.15	14.01	14.23	14.06

Note (1): The relevant data of capital adequacy ratio as at December 31, 2023 was calculated in accordance with the Rules on Capital Management of Commercial Banks (Provisional).

Leverage Ratio

As at the end of the reporting period, the leverage ratio calculated by the Bank pursuant to the Rules on Capital Management of Commercial Banks was 5.83%, which met the regulatory requirements. For the details of leverage ratio, please refer to "Appendix: Supplementary Information".

Economic Capital Management

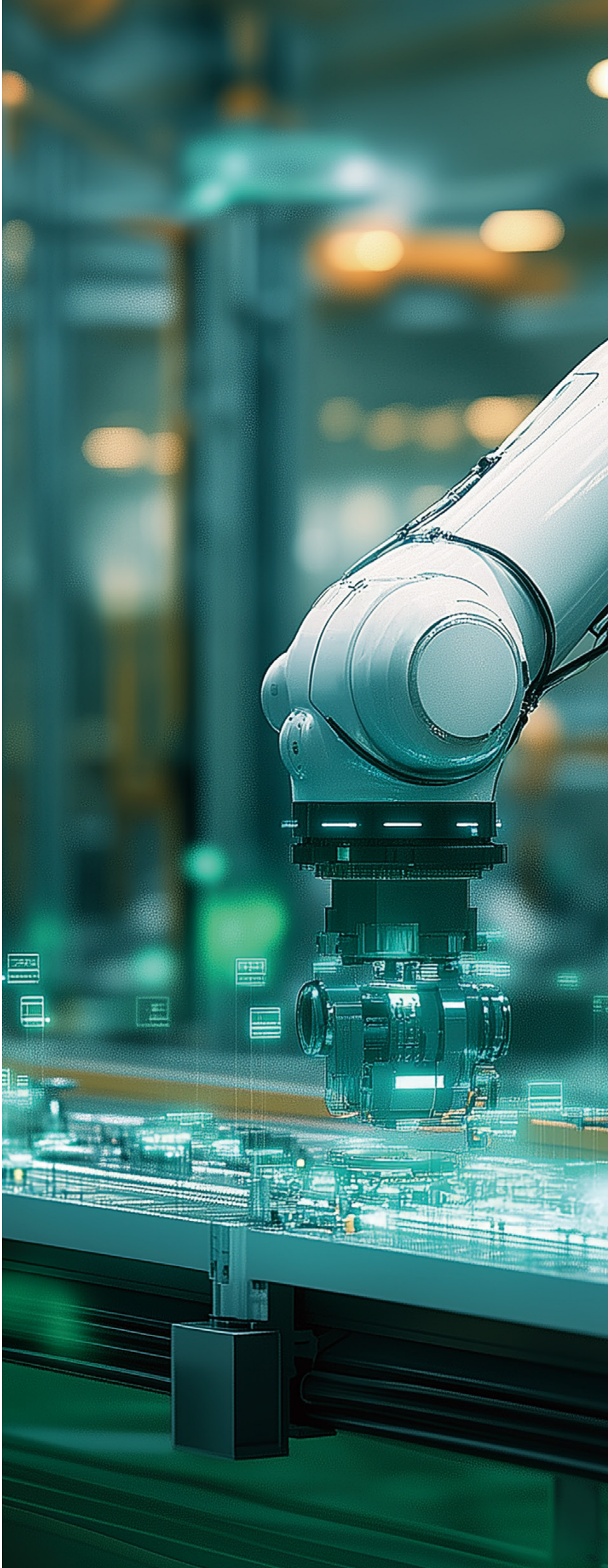
The Bank continued to improve the refined management of economic capital and pressed ahead with the implementation of the concept of achieving transformation and development with less capital consumption. It reinforced internal capital constraint and advanced the intensive use of capital. The Bank made efforts to improve application of the capital allocation mechanism with RAROC as the core indicator, and increased resource allocation to businesses with high returns. It promoted the application of internal rating results in economic capital measurement, allocation and performance assessment in an orderly manner. The awareness of capital saving and value creation has been continuously enhanced across the Bank, and business structure has been continuously improved.

Capital Financing Management

On the basis of replenishing capital from internal sources through retained earnings, the Bank utilized a combination of external financing instruments to replenish its capital.

The Bank publicly issued RMB30 billion write-down undated capital bonds in the National Interbank Bond Market in March 2024, with all proceeds used to replenish additional tier 1 capital in accordance with applicable laws and approval of the competent authorities.

Corporate Governance



Changes in Share Capital and Shareholdings of Shareholders

Ordinary Shares

As at the end of the reporting period, the total number of ordinary shares of the Bank amounted to 99,161,076,038, including 79,304,909,038 A shares and 19,856,167,000 H shares, accounting for 79.98% and 20.02% of all shares respectively.

Details of Changes in Shares

Share, except for percentages

	As at December 31, 2023		Increase/decrease (+, -) during the reporting period					As at June 30, 2024	
	Number of shares	Percentage (%)	Issuance of new shares	Issuance of bonus shares	Transferred from reserve	Others	Subtotal	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	12,182,513,838	12.29	–	–	–	–	–	12,182,513,838	12.29
1. Shareholdings of the State	–	–	–	–	–	–	–	–	–
2. Shareholdings of state-owned legal entities	12,182,513,838	12.29	–	–	–	–	–	12,182,513,838	12.29
3. Other domestic shareholdings	–	–	–	–	–	–	–	–	–
Including: Shareholdings of domestic non-state-owned legal entities	–	–	–	–	–	–	–	–	–
Shareholdings of domestic natural persons	–	–	–	–	–	–	–	–	–
4. Foreign shareholdings	–	–	–	–	–	–	–	–	–
Including: Shareholdings of foreign legal entities	–	–	–	–	–	–	–	–	–
Shareholdings of foreign natural persons	–	–	–	–	–	–	–	–	–
II. Circulating shares not subject to selling restrictions	86,978,562,200	87.71	–	–	–	–	–	86,978,562,200	87.71
1. RMB ordinary shares	67,122,395,200	67.69	–	–	–	–	–	67,122,395,200	67.69
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	19,856,167,000	20.02	–	–	–	–	–	19,856,167,000	20.02
4. Others	–	–	–	–	–	–	–	–	–
III. Total ordinary shares	99,161,076,038	100.00	–	–	–	–	–	99,161,076,038	100.00

Changes in Ordinary Shares

There were no changes in the Bank's ordinary shares during the reporting period and from the end of the reporting period up to the Latest Practicable Date.

Changes in Shares Subject to Selling Restrictions

Share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the year	Shares released from selling restrictions in the year	Increase in shares subject to selling restrictions in the year	Number of shares subject to selling restrictions at the end of the reporting period	Reason for selling restrictions	Date of release from selling restrictions
China Post Group Corporation Limited	5,405,405,405	–	–	5,405,405,405	Commitments on selling restrictions of non-public issuance of A shares in 2021	March 25, 2026
China Mobile Communications Group Co., Ltd.	6,777,108,433	–	–	6,777,108,433	Commitments on selling restrictions of non-public issuance of A shares in 2023	March 28, 2028
Total	12,182,513,838	–	–	12,182,513,838	/	/

Changes in Share Capital and Shareholdings of Shareholders

Number of Shareholders and Shareholdings

As at the end of the reporting period, the Bank had a total number of 154,270 ordinary shareholders (including 151,835 A-share holders and 2,435 H-share holders) and no holders of preference shares with voting rights restored or holders of special voting shares.

The shareholdings of the top 10 ordinary shareholders as at the end of the reporting period are as follows:

Shareholdings of Top Ten Ordinary Shareholders

Share, except for percentages

Name of shareholder	Number of shares held	Shareholding percentage (%)	Number of shares subject to selling restrictions	Number of shares pledged, marked or locked-up	Nature of shareholder	Type of ordinary shares
China Post Group Corporation Limited	62,255,549,280	62.78	5,405,405,405	–	State-owned legal entity	A shares and H shares
HKSCC Nominees Limited	19,843,003,300	20.01	–	Unknown	Foreign legal entity	H shares
China Mobile Communications Group Co., Ltd.	6,777,108,433	6.83	6,777,108,433	–	State-owned legal entity	A shares
China Life Insurance Company Limited	1,376,720,105	1.39	–	–	State-owned legal entity	A shares
China Telecommunications Corporation Limited	1,117,223,218	1.13	–	–	State-owned legal entity	A shares
Hong Kong Securities Clearing Company Limited	836,462,166	0.84	–	–	Foreign legal entity	A shares
New China Life Insurance Co., Ltd. – Traditional – General Insurance Products – 018L – CT001 Shanghai	219,962,209	0.22	–	–	Others	A shares
Industrial and Commercial Bank of China – SSE 50 Exchange-traded Open-end Index Securities Investment Fund	178,187,366	0.18	–	–	Others	A shares
Ping An Life Insurance Company of China, Ltd. – Self-owned funds	161,793,402	0.16	–	–	Others	A shares
National Social Security Fund Portfolio 108	142,345,044	0.14	–	–	Others	A shares

Note (1): The total number of shares held by HKSCC Nominees Limited as the nominee is the total number of H shares held by all institutional and individual investors registered with the company as at the end of the reporting period, which includes 80,700,000 H shares held by the controlling shareholder China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong investors and overseas investors as the nominee.

Note (3): HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, the Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

Note (4): Except for HKSCC Nominees Limited, whose participation in margin trading, short selling or refinancing was unknown to the Bank, the rest of the top ten ordinary shareholders of the Bank did not participate in margin trading or short selling.

Note (5): The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, nor do any strategic investor or general legal entity become the top ten ordinary shareholders due to the participation in placement of new shares.

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

Share

Name of shareholder	Number of circulating shares held not subject to selling restrictions	Type and number of shares: Type	Number
China Post Group Corporation Limited	56,850,143,875	A shares	56,769,443,875
		H shares	80,700,000
HKSCC Nominees Limited	19,843,003,300	H shares	19,843,003,300
China Life Insurance Company Limited	1,376,720,105	A shares	1,376,720,105
China Telecommunications Corporation Limited	1,117,223,218	A shares	1,117,223,218
Hong Kong Securities Clearing Company Limited	836,462,166	A shares	836,462,166
New China Life Insurance Co., Ltd. – Traditional – General Insurance Products – 018L – CT001 Shanghai	219,962,209	A shares	219,962,209
Industrial and Commercial Bank of China – SSE 50 Exchange-traded Open-end Index Securities Investment Fund	178,187,366	A shares	178,187,366
Ping An Life Insurance Company of China, Ltd. – Self-owned funds	161,793,402	A shares	161,793,402
National Social Security Fund Portfolio 108	142,345,044	A shares	142,345,044
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Exchange-traded Open-end Index Securities Investment Fund	131,274,600	A shares	131,274,600

Note (1): The total number of shares held by HKSCC Nominees Limited as the nominee is the total number of H shares held by all institutional and individual investors registered with the company as at the end of the reporting period, which includes 80,700,000 H shares held by the controlling shareholder China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

Note (2): The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong investors and overseas investors as the nominee.

Note (3): HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, the Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

Note (4): Except for HKSCC Nominees Limited, whose participation in margin trading, short selling or refinancing was unknown to the Bank, the rest of the top ten shareholders not subject to selling restrictions of the Bank did not participate in margin trading or short selling.

Note (5): The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, nor do any strategic investor or general legal entity become the top ten shareholders not subject to selling restrictions due to the participation in placement of new shares.

Changes in Share Capital and Shareholdings of Shareholders

Lending of Shares by Shareholders Holding More Than 5% of Shares, Top 10 Shareholders and Top 10 Shareholders of Circulating Shares Not Subject to Selling Restrictions through Participation in Refinancing

Share, except for percentages

Name of shareholder	Shares held in common accounts and credit accounts at the beginning of the reporting period		Shares lent through refinancing and unreturned at the beginning of the reporting period		Shares held in common accounts and credit accounts at the end of the reporting period		Shares lent through refinancing and unreturned at the end of the reporting period	
	Number in aggregate	Percentage (%)	Number in aggregate	Percentage (%)	Number in aggregate	Percentage (%)	Number in aggregate	Percentage (%)
Industrial and Commercial Bank of China Limited – Huatai-PineBridge CSI 300 Exchange-traded Open-end Index Securities Investment Fund	82,568,700	0.08	120,100	0.00	131,274,600	0.13	–	–

Changes of Top 10 Shareholders and Top 10 Shareholders of Circulating Shares Not Subject to Selling Restrictions Compared to the Previous Period due to Reasons Related to Shares Lent/Returned through Refinancing

Share, except for percentages

Name of shareholder	Addition/exit during the reporting period	Number of shares lent through refinancing and unreturned at the end of the reporting period		Number of shares held in the shareholders' common accounts and credit accounts and shares lent through refinancing and unreturned at the end of the reporting period	
		Number in aggregate	Percentage (%)	Number in aggregate	Percentage (%)
Industrial and Commercial Bank of China – SSE 50 Exchange-traded Open-end Index Securities Investment Fund	Addition	–	–	178,187,366	0.18
Ping An Life Insurance Company of China, Ltd. – Self-owned funds	Addition	–	–	161,793,402	0.16
Shanghai International Port (Group) Co., Ltd.	Exit	–	–	112,539,226	0.11
China Construction Bank Corporation – E Fund CSI 300 Exchange-traded Open-end Index Initiated Securities Investment Fund	Exit	176,000	0.00	87,310,500	0.09

Shareholdings of the Top Ten Shareholders Subject to Selling Restrictions

Share

Name of shareholder	Number of shares subject to selling restrictions	Conditions for listing and trading of shares subject to selling restrictions: Date on which listing and trading may commence	Conditions for listing and trading of shares subject to selling restrictions: Number of new shares allowed to be listed and traded	Selling restrictions
China Post Group Corporation Limited	5,405,405,405	March 25, 2026	–	5 years since share acquisition after the non-public issuance of A shares of the Bank in 2021
China Mobile Communications Group Co., Ltd.	6,777,108,433	March 28, 2028	–	5 years since share acquisition after the non-public issuance of A shares of the Bank in 2023

Shareholdings by the Directors, Supervisors and Senior Management Members

During the reporting period, the shareholdings by the Directors, Supervisors and senior management members of the Bank remained unchanged. As at the Latest Practicable Date, none of the Directors, Supervisors and senior management members of the Bank held any shares of the Bank.

Substantial Shareholders

According to the Interim Measures on Equity Management of Commercial Banks published by the former CBRC, China Post Group and China Mobile Communications Group Co., Ltd. are substantial shareholders of the Bank as each of them holds more than 5% of interest in the Bank; Shanghai International Port (Group) Co., Ltd. and China State Shipbuilding Corporation Limited are substantial shareholders of the Bank as each of them designates Directors to the Bank.

Changes in Share Capital and Shareholdings of Shareholders

Basic Information of Substantial Shareholders

There was no change in the controlling shareholder or de facto controller of the Bank during the reporting period.

Controlling Shareholder and De Facto Controller

The controlling shareholder and de facto controller of the Bank is China Post Group. China Post Group Corporation Limited, a wholly state-owned enterprise incorporated in accordance with the Company Law of the People's Republic of China, was established on October 4, 1995, and was officially restructured into China Post Group Corporation Limited on December 17, 2019. It engages in various postal businesses in accordance with law, undertakes the obligations of general postal services and provides special postal services entrusted by the government. China Post Group has a registered capital of RMB137.6 billion. Its registered address is No. 3 Financial Street, Xicheng District, Beijing. Its unified social credit code is 911000000000192465 and legal representative is Mr. Liu Aili. China Post Group is principally engaged in domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with law, confidential correspondence, postal financial business, emerging business such as postal logistics and e-mail, e-commerce, agency business and other businesses as stipulated by the state.

Other Substantial Shareholders

China Mobile Communications Group Co., Ltd. ("China Mobile Group") is a wholly state-owned enterprise established under the Company Law of the People's Republic of China by the state with a registered capital of RMB300 billion. Its registered address is No. 29 Financial Street, Xicheng District, Beijing. Its unified social credit code is 911100007109250324, and the legal representative is Mr. Yang Jie. China Mobile Group, a central state-owned enterprise established on July 22, 1999 in accordance with the overall plan of the national telecommunications system reform, is the world's largest mobile communications service provider with over 900 million mobile users and over 200 million household customers. China Mobile Group is principally engaged in basic telecommunications business, value-added telecommunications business, and innovative digital services such as digital media content and information solutions. With the license for operating international networking of computer information and international communication accesses, China Mobile Group is able to provide quality products and services related to information and communication, and integrated information solutions to individuals, families, government agencies, enterprises and other customers.

Shanghai International Port (Group) Co., Ltd. ("SIPG"), the operator of public terminals in the Port of Shanghai, is a large specialized business group established in January 2003 by restructuring the former Shanghai Port Administration Bureau. In June 2005, SIPG was transformed into a joint-stock limited liability company after completion of the conversion into a joint-stock company, and was listed on SSE on October 26, 2006, becoming the first joint-stock port company listed as a whole in China. It is now the largest public company in the port industry in China and is also one of the largest port companies in the world. The registered capital of SIPG is approximately RMB23,284 million. SIPG has its registered address at 4/F, Area A, Comprehensive Building, No. 1 Tonghui Road, China (Shanghai) Pilot Free Trade Zone, and its headquarters at No. 358 (International Port Building) East Daming Road, Hongkou District, Shanghai. Its unified social credit code is 913100001322075806, and the legal representative is Mr. Gu Jinshan. Its de facto controller is Shanghai State-owned Assets Supervision and Administration Commission. SIPG is mainly engaged in port-related business including container services, bulk cargo services, port logistics and port services.

China State Shipbuilding Corporation Limited ("CSSC") is a wholly state-owned enterprise established on November 8, 2019 under the Company Law of the People's Republic of China by the state with a registered capital of RMB110 billion. Its registered address is No. 889 Zhonghua Road, Huangpu District, Shanghai and its unified social credit code is 91310000MA1FL70B67 and the legal representative is Mr. Wen Gang. CSSC has the largest shipbuilding and repair base in China and the most complete research and development capacity for shipping and supporting products. It is the world's largest shipbuilding group capable of designing and building shipping and marine equipment that meets the requirements of global classification societies, international general technical standards and safety conventions. CSSC is principally engaged in the research, development and production of naval products, merchant ships and supporting facilities as well as non-marine equipment, and is one of the Global 500 companies in China's shipping industry.

Pledging of the Bank's Shares by Its Substantial Shareholders

As at the end of the reporting period, CSSC pledged 1,560,000,000 ordinary shares of the Bank, accounting for 1.57% of the total share capital of the Bank, and there was no share pledge by other substantial shareholders of the Bank.

Related Parties of Substantial Shareholders and Connected Transactions

About 1,700 institutions including the above-mentioned substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries are regarded as related parties of the Bank. During the reporting period, the types of transactions between the Bank and the above-mentioned related parties mainly included credit extension, asset transfer, service provision, etc. These connected transactions were included in the routine connected transaction management of the Bank and submitted to the Board of Directors and its Related Party Transactions Control Committee for approval or kept on record.

Changes in Share Capital and Shareholdings of Shareholders

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at the end of the reporting period, so far as was known to the Directors, Supervisors and President of the Bank, saved as disclosed below, there were no other persons (other than the Directors, Supervisors and President of the Bank) or companies who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank and Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Share, except for percentages

Name of shareholder	Capacity	Class of shares	Relevant interests and short positions	Nature of interests	Percentage of issued class shares (%)	Percentage of total issued shares (%)
China Post Group Corporation Limited	Beneficial owner	A shares	62,174,849,280	Long position	78.40	62.70
	Beneficial owner	H shares	80,700,000	Long position	0.41	0.08
China Mobile Communications Group Co., Ltd.	Beneficial owner	A shares	6,777,108,433	Long position	8.55	6.83
Shanghai International Port (Group) Co., Ltd.	Beneficial owner and interest of controlled corporations	H shares	3,982,813,041	Long position	20.06	4.02
	Beneficial owner	A shares	112,539,226	Long position	0.14	0.11
China State Shipbuilding Corporation Limited	Interest of controlled corporations	H shares	3,939,907,462	Long position	19.84	3.97
Li Ka-Shing	Interest of controlled corporations	H shares	1,774,700,000	Long position	8.94	1.79
	Founder of discretionary trust	H shares	196,138,000	Long position	0.99	0.20
Li Tzar Kuoi, Victor	Interest of controlled corporations	H shares	1,774,700,000	Long position	8.94	1.79
	Potential beneficiary of discretionary trust	H shares	196,138,000	Long position	0.99	0.20
BNP PARIBAS SA	Interest of controlled corporations	H shares	1,545,250,830	Long position	7.78	1.56
	Interest of controlled corporations	H shares	197,955,033	Short position	1.00	0.20
China National Tobacco Corporation	Beneficial owner	H shares	1,296,000,000	Long position	6.53	1.31
Li Lu	Interest of controlled corporations	H shares	1,274,411,000	Long position	6.42	1.29
CITIC Securities Company Limited	Interest of controlled corporations	H shares	1,652,007,744	Long position	8.32	1.67
	Interest of controlled corporations	H shares	2,595,731,797	Short position	13.07	2.62

Note (1): The information disclosed above is based on the information provided on the website of Hong Kong Stock Exchange and the information available to the Bank at the end of the reporting period. Pursuant to Section 336 of the SFO, shareholders of the Bank are required to file a disclosure of interests form when certain criteria are met. When a shareholder's shareholding in the Bank changes, the shareholder is not required to inform the Bank and Hong Kong Stock Exchange unless certain criteria are met, therefore the shareholder's latest shareholding in the Bank may differ from the shareholding filed with Hong Kong Stock Exchange.

Note (2): Shanghai International Port (Group) Co., Ltd. is interested in a total of 3,982,813,041 H shares (long position), including 617,192,000 H shares (long position) held by it as the beneficial owner, 3,215,660,360 H shares (long position) held by the controlled corporation Shanghai International Port Group (HK) Co., Limited as the beneficial owner; and 149,960,681 H shares (long position) are indirectly held by the controlled corporation Shanghai International Port Group (HK) Co., Limited through Shanghai Port Group (BVI) Holding Co., Limited as the beneficial owner.

Note (3): China State Shipbuilding Corporation Limited is interested in a total of 3,939,907,462 H shares (long position), of which 3,777,884,462 H shares (long position) are indirectly held by controlled corporations, namely China Shipbuilding Industry Corporation, China Shipbuilding & Offshore International Co., Limited, China Shipbuilding & Offshore International (H.K.) Co., Limited and China Shipbuilding Capital Limited through CSIC Investment One Limited as the beneficial owner, and 162,023,000 H shares (long position) are indirectly held by the controlled corporation China Shipbuilding Industry Corporation through China Shipbuilding Capital Limited as the beneficial owner.

Note (4): Mr. Li Ka-Shing and Mr. Li Tzar Kuoi, Victor is each interested in a total of 1,970,838,000 H shares (long position), of which 1,108,228,000 H shares (long position), 397,221,000 H shares (long position), 269,251,000 H shares (long position) and 196,138,000 H shares (long position) are beneficially owned by the controlled corporation Li Ka Shing (Canada) Foundation, Li Ka Shing (Global) Foundation, Li Ka Shing Foundation Limited and Silvery Ring Limited.

Note (5): BNP PARIBAS SA is deemed to be interested in a total of 1,545,250,830 H shares (long position) and 197,955,033 H shares (short position) as it controls several enterprises, of which 1,297,692,946 H shares (long position) are available for lending, 116,837,789 H shares (long position) and 106,540,595 H shares (short position) are owned through holding listed derivatives of convertible instruments, and 57,041,925 H shares (long position) are owned through holding cash-settled unlisted derivatives.

Note (6): Li Lu is interested in 1,274,411,000 H shares (long position) indirectly held by the controlled corporation LL Group, LLC through Himalaya Capital Investors, L.P. as the beneficial owner. Himalaya Capital Management LLC is interested in 1,274,411,000 H shares (long position) as the investment manager.

Note (7): CITIC Securities Company Limited is deemed to be interested in a total of 1,652,007,744 H shares (long position) and 2,595,731,797 H shares (short position) as it controls several enterprises, including 26,427,459 H shares (long position) and 1,297,173,870 H shares (short position) owned through holding listed derivatives of convertible instruments, 327,826,130 H shares (long position) and 1,297,753,870 H shares (short position) held through holding unlisted derivatives delivered in kind, and 804,057 H shares (short position) owned through holding cash-settled unlisted derivatives.

Issuance and Listing of Securities

During the reporting period, the Bank did not issue any new ordinary shares.

For the details of the issuance of other securities of the Bank, please refer to “Notes to the Condensed Consolidated Financial Statements – 29 Debt securities issued” and “Notes to the Condensed Consolidated Financial Statements – 31.2 Other equity instruments”.

The Bank has no employee stocks.

Corporate Governance

Overview of Corporate Governance

The Bank strictly complied with laws and regulations, administrative rules, regulatory provisions, and other relevant rules as well as the principles and code provisions of the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules. It continued to optimize the management mechanism and enhanced the quality and efficiency of corporate governance based on its corporate governance practices.

During the reporting period, the Bank convened 1 Shareholders' General Meeting, with 19 proposals reviewed and approved and 4 reports heard. Details are as follows:

Meeting	Date	Websites for publishing announcements	Disclosure date	Meeting resolutions
2023 Annual General Meeting	June 28, 2024	The websites of SSE (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank	June 28, 2024	See the announcements on resolutions and poll results of the Shareholders' General Meeting

The Bank convened a total of 5 meetings of the Board of Directors, at which 68 proposals were reviewed and 19 reports were heard. The special committees of the Board of Directors convened 22 meetings (3 by Strategic Planning Committee, 4 by Related Party Transactions Control Committee, 4 by Audit Committee, 6 by Risk Management Committee, 3 by Nomination and Remuneration Committee and 2 by Social Responsibility and Consumer Rights Protection Committee), at which 71 proposals were reviewed and 16 reports were heard.

The Bank convened a total of 5 meetings of the Board of Supervisors, at which 58 proposals and supervision matters were reviewed. The special committees of the Board of Supervisors convened 8 meetings (3 by Duty Performance Supervision Committee and 5 by Finance and Internal Control Risk Supervision Committee), at which 21 proposals were reviewed.

Directors, Supervisors and Senior Management

Directors, Supervisors and Senior Management

As at the Latest Practicable Date, the composition of the Board of Directors, the Board of Supervisors and senior management was as follows:

The Board of Directors consisted of 13 Directors, including 2 Executive Directors, namely Mr. Liu Jianjun (performing the duties on behalf of Chairman)[1] and Ms. Yao Hong; 6 Non-executive Directors, namely Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Huang Jie, Mr. Liu Yue and Mr. Ding Xiangming; and 5 Independent Non-executive Directors, namely Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang, Ms. Pan Yingli and Mr. Tang Zhihong.

The Board of Supervisors consisted of 5 Supervisors, including Mr. Chen Yuejun, the Chairman and Shareholder Representative Supervisor; 2 External Supervisors, namely Mr. Bai Jianjun and Mr. Chen Shimin; and 2 Employee Supervisors, namely Mr. Li Yue and Mr. Gu Nannan.

1 This is a transitional arrangement. For the details of the Bank's compliance with code provision C.2.1 of the Corporate Governance Code, Appendix C1 to the Hong Kong Listing Rules, please refer to "Corporate Governance" in the 2023 Annual Report of the Bank.

The Bank had a total of 7 senior management members, namely Mr. Liu Jianjun, Ms. Yao Hong, Mr. Xu Xueming, Mr. Du Chunye, Mr. Niu Xinzhuang, Ms. Wang Fei and Mr. Liang Shidong.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On January 19, 2024, Mr. Huang Jie's qualification for directorship was approved by the NFRA. He has been appointed as Non-executive Director, member of the Strategic Planning Committee of the Board of Directors and member of the Audit Committee of the Board of Directors of the Bank for a term of three years since the date of approval.

On June 28, 2024, the 2023 Annual General Meeting of the Bank re-elected Mr. Liu Jianjun and Ms. Yao Hong as Executive Directors as well as Mr. Ding Xiangming as Non-executive Director for a term of three years, with the new term of office calculated from the date when the relevant proposals were reviewed and approved at the Shareholders' General Meeting, and elected Mr. Liu Xin'an, Mr. Zhang Xuanbo, Mr. Hu Yuting and Mr. Yu Mingxiong as Non-executive Directors as well as Mr. Hong Xiaoyuan as Independent Non-executive Director for a term of three years commencing from the date when their qualifications are approved by the NFRA.

For the details of changes in Directors of the Bank, please refer to the announcements published by the Bank.

Change in Supervisors

On March 8, 2024, Mr. Zhao Yongxiang resigned from positions as Shareholder Representative Supervisor and member of the Duty Performance Supervision Committee of the Board of Supervisors of the Bank since he reached the statutory retirement age.

For the details of change in Supervisors of the Bank, please refer to the announcement published by the Bank.

Changes in Biographies of Directors, Supervisors and Senior Management

Mr. Chen Donghao ceased to serve as Director of China Post Group from May 2024.

Mr. Chung Shui Ming Timpson ceased to serve as Independent Non-executive Director of China Everbright Limited from May 2024.

Mr. Du Chunye has concurrently served as Chairman of the Fourth Board Secretary Special Committee of China Association for Public Companies since July 2024.

Positions Taken by Directors and Supervisors Assigned by Shareholders at Shareholders' Companies

Name	Name of company	Major titles	Tenure
Liu Jianjun	China Post Group	Vice President	May 2021 till present
Han Wenbo	China Post Group	Board Member	February 2021 till present
Chen Donghao	China Post Group	Board Member	February 2021 to April 2024
Ding Xiangming	SIPG	Vice President	July 2013 till present
		Secretary to the Board of Directors	March 2014 till present
		General Counsel	November 2022 till present

Profit and Dividends Distribution

The profit distribution plan for 2023 was reviewed and approved at the 2023 Annual General Meeting held on June 28, 2024. On the basis of 99,161,076,038 ordinary shares of the Bank, the Bank distributed cash dividends of RMB2.610 (before tax) per ten shares, totaling approximately RMB25,881 million (before tax), to all the ordinary shareholders whose names appeared on the share register as of July 10, 2024 after the market close. The profit distribution plan has been implemented. The Bank did not convert any capital reserve to share capital for the profit distribution.

The Bank intends to implement the 2024 interim dividend distribution, with the total amount of interim dividends accounting for no more than 30% of the net profit attributable to equity holders of the Bank under the consolidated statements for the first half of 2024. The amount of interim dividends paid will be taken into consideration when formulating the subsequent 2024 profit distribution plan. The interim profit distribution plan for 2024 will be implemented after fulfillment of corporate governance procedures, the specific contents and review of which will be subject to the announcement of the Bank.

Significant Events

Internal Control and Internal Audit

Internal Control

The Bank has established an internal control governance and organizational structure with reasonable division of labor, clear responsibilities and clear reporting relationships which consists of the Board of Directors, the Board of Supervisors, senior management, departments of internal control management, internal audit departments, and business departments. Considering the purpose of monitoring the above internal control system is to manage rather than eliminate the risk of failing to achieve business objectives, the Board of Directors can only reasonably, not absolutely, assure that the above system and internal control can prevent any material misstatement or loss.

The Bank continuously refined the internal control system and enhanced its ability of "proactive prevention, intelligent control and comprehensive management" by "identifying, issuing warnings about, exposing and disposing of risks as early as possible". In response to regulatory requirements, the Bank thoroughly carried out the bank-wide self-examination themed on "two regulates and one enhance" to regulate irrational loan extension and the order of the deposit market, and enhance the fund utilization efficiency, thus consolidating the foundation of high-quality development. Continuous progress was made in systemic and rigid control over the problems found during the self-examination to realize closed-loop management. The Bank made efforts to foster a culture of compliance by organizing case warning and compliance education tours at the community level to guide primary-level institutions to enhance their awareness of compliance. Moreover, efforts were intensified to conduct refined accountability management, and increase internal supervision and examination on internal accountability efforts, both of which continuously released the signal of tightened accountability.

Internal Audit

The Bank implements internal audit policies in accordance with the Guidelines for Internal Audit of Commercial Banks, and the Internal Audit Regulations of the National Audit Office, develops an independent and vertical audit system consisting of "the Audit Department at the Head Office + 7 regional audit offices + 29 audit divisions", establishes an audit management structure suitable for the Bank's operation and development as well as governance requirements, and sets up and effectively puts into practice the internal audit reporting system and reporting lines. The audit line of the Bank is independent from the first and the second lines of defense and the professionalism and authority of audits are continuously improved. The Audit Department at the Head Office is responsible to the Board of Directors and the Audit Committee thereunder, regularly reports to the Board of Directors, the Audit Committee thereunder and the Board of Supervisors, and notifies the senior management.

The Audit Department at the Head Office is responsible for preparing the annual audit plan in accordance with the requirements of regulatory institutions and the corporate governance members of the Bank, and organizing the implementation of the plan upon the approval of the Board of Directors and the Audit Committee thereunder. It is also responsible for the overall audit work and the coordination of audit resources of the Bank, as well as the organization and implementation of bank-wide audit activities in accordance with the audit charter of the Bank and relevant guidelines. The regional audit offices, in accordance with the unified arrangement, are responsible for implementing the annual audit plan of the Head Office, allocating audit resources under jurisdiction, and organizing the implementation of various audits. The audit divisions shall execute the audit tasks assigned and be responsible for carrying out audits.

Significant Events

During the reporting period, the Bank adhered to a problem-oriented, risk-based and efficiency-first audit concept in internal audit, and carried out a series of audits focusing on such areas as implementation of national strategies, high-quality development of the financial sector, coordinated relationship between development and security, compliance with regulatory requirement, procedure-based exercise of powers by the management and cadres, and refined management across the Bank. It provided audit opinions from the perspectives of policies and procedures, institutions and mechanisms, system operations, and quality and effectiveness of operations, etc., bringing into full play its role in audit supervision, evaluation and consultation. Meanwhile, the Bank attached equal importance to the rectification and revealing of problems identified in audits, in a bid to improve the quality and effectiveness of the problem rectification across the Bank.

During the reporting period, the Bank effectively built an audit framework covering six aspects, that is, audit organizational structure, management and control of audit projects, audit systems and standards, application of audit results, capabilities of audit teams, and digital empowerment of audits, enhanced the quality and effectiveness of audit supervision efforts, and provided solid support to the Bank's prudent operation and high-quality development.

Use of Proceeds from Fund-Raising Activities

The funds raised by the Bank have been used in accordance with the purposes as disclosed in the prospectuses, i.e. to consolidate the Bank's capital base and support the continued growth of the Bank's business.

After verification and analysis, the implementation progress of the plans of the use of proceeds disclosed in public disclosure documents such as the IPO prospectus and other prospectuses previously issued by the Bank are in line with the planning as described.

Material Legal Proceedings and Arbitration

During the reporting period, there were no legal proceedings or arbitration with material impact on the business operation of the Bank.

As at the end of the reporting period, the aggregate claim amount in outstanding major litigation or arbitration cases where the Bank was involved as a defendant or arbitration respondent, each with a claim amount of over RMB10 million, was approximately RMB2,645 million. Corresponding expected liabilities have been accrued for these matters, and the Bank considers that these pending cases will not have any material adverse impact on the business, financial position or operating results of the Bank.

Major Asset Acquisition, Disposal and Merger

During the reporting period, the Bank did not carry out any major asset acquisition, disposal or merger activities.

Significant Contracts and Their Performance

Material Custody, Subcontracting and Leasing

During the reporting period, there was no significant matter in relation to material arrangements for custody, subcontracting and leasing of assets of other companies by the Bank, or material arrangements for custody, subcontracting and leasing of assets of the Bank by other companies.

Material Guarantees

Guarantee business is one of the off-balance sheet businesses in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any other material guarantee that needed to be disclosed except for the financial guarantee services within the business scope as approved by the PBC and the NFRA. There were no cases in which the Bank entered into guarantee contracts in violation of laws and administrative regulations or the resolution procedures for guarantee stipulated by the CSRC.

Credibility

During the reporting period, there were no cases in which the Bank and its controlling shareholder failed to perform obligations under effective legal judgments of courts in major litigation cases, and there were no cases in which the debts of a relatively large amount were due and unpaid.

Significant Events

Fulfillment of Commitments

Commitments during or carried forward to the reporting period by the de facto controller, shareholders, related parties, acquirers of the Bank, the Bank and other relevant parties are as follows:

Commitment background	Commitment type	Commitment by	Summary of the commitment	Time of the commitment	Term of the commitment	Is there a term for fulfillment	Whether timely and strictly fulfilled
Commitments in relation to initial public offering	Others	China Post Group	Commitments in relation to shareholders' intention to hold shares and intention to reduce their holdings	June 18, 2019	Long-term	Yes	Yes
		Directors and senior management of the Bank	Commitments to take remedial measures for the dilution on immediate return	June 18, 2019	Long-term	Yes	Yes
		The Bank	Commitments to take remedial measures for the dilution on immediate return	June 18, 2019	Long-term	Yes	Yes
	Resolving competition amongst peers	China Post Group	Commitment in relation to avoiding competition amongst peers	October 10, 2019	Long-term	Yes	Yes
	Resolving defective title of lands and other items	China Post Group	Letter of confirmation on matters in relation to land and real estate injected into Postal Savings Bank of China Co., Ltd.	August 27, 2019	Long-term	Yes	Yes
	Resolving connected transactions	China Post Group	Commitment in relation to decreasing and standardizing connected transactions	November 6, 2019	Long-term	Yes	Yes
Commitments in relation to non-public issuance of A shares in 2021	Subscription and lock up of shares	China Post Group	Commitment in relation to further clarifying the number of intending subscription to shares of A-share non-public issuance of Postal Savings Bank of China Co., Ltd.	February 5, 2021	5 years since share acquisition after the non-public issuance of A shares	Yes	Yes
Commitments in relation to non-public issuance of A shares in 2023	Subscription and lock up of shares	China Mobile Communications Group Co., Ltd.	Commitment in relation to subscribing for new shares of Postal Savings Bank of China Co., Ltd.	February 24, 2023	5 years since share acquisition after the non-public issuance of A shares	Yes	Yes

Accounting Firm's Engagement

Upon review and approval at the 2023 Annual General Meeting, the Bank engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu to provide the Bank with professional services such as review of the 2024 interim financial report, with related service fees amounting to RMB8.94 million.

Connected Transactions

During the reporting period, the Bank followed laws, regulations and regulatory requirements, established and improved the management framework for connected transactions. It improved the operating mechanism for connected transactions and continued to cultivate a compliance culture to further strengthen the management of connected transactions. The Bank's connected transactions were conducted in compliance with relevant laws, which were in line with the overall interests of the Bank and its minority shareholders.

Material Connected Transactions

In order to revitalize the existing assets, reduce the occupation of capital, and enhance the ability to support the Bank's differentiated credit growth in key areas such as Sannong, consumption, and micro and small-sized enterprises and promote high-quality development, the Bank held the fourth meeting of the Board of Directors in 2024 on May 30, 2024, at which it reviewed and approved the Proposal on Transferring Part of the Beneficial Interest of the Trusts and the Beneficial Interest of the Asset Management Plan to China Post Capital Management Co., Ltd. (the "Proposal"). According to the Proposal, the Bank intended to transfer the trust beneficial interest of the fund share income right of nine underlying industrial funds and the asset management plan beneficial interest of the share income right of one industrial fund management company to China Post Capital Management Co., Ltd., a wholly-owned subsidiary of China Post Group, at a total consideration of RMB51,576,209.5 thousand (subject to the valuation result as confirmed by the MOF). This transaction constituted a material connected transaction of the Bank. On June 3, 2024, the Bank and China Post Capital Management Co., Ltd. entered into the Trust Beneficial Interest Transfer Agreements and the Asset Management Plan Beneficial Interest Transfer Agreement. On June 28, 2024, the Proposal was reviewed and approved at the Bank's 2023 Annual General Meeting. For details, please refer to the relevant announcements published by the Bank.

Implementation of the Caps of Connected Transactions[1]

Pursuant to relevant provisions in the SSE Listing Rules and the Hong Kong Listing Rules, on October 28, 2021, the Bank convened the 12th meeting of the Board of Directors in 2021, at which it reviewed and approved the Proposal on the Forecast Caps of Connected Transactions of Postal Savings Bank of China for 2022-2024. Due to business development and other reasons, the Bank held the seventh meeting of the Board of Directors in 2022 on August 22, 2022, at which it reviewed and approved the Proposal on Revising the Annual Caps of the Bancassurance Services Provided by Postal Savings Bank of China to China Post Group and Its Associates from 2022 to 2024, agreeing to revise the annual caps of connected transactions of the bancassurance services provided by the Bank to China Post Group and its associates from 2022 to 2024. For details, please refer to the relevant announcements published by the Bank. As at the end of the reporting period, the actual amounts of the aforementioned connected transactions did not exceed the projected annual caps.

Implementation of the Caps of Connected Transactions with China Post Group and Its Associates

Credit Type Connected Transactions[2]

In 2024, the cap of routine credit type connected transactions between the Bank and China Post Group and its associates shall be RMB14.0 billion. As at the end of the reporting period, the balance of credit to China Post Group and its associates by the Bank was RMB354 million.

1 Except for the "connected transactions with China Post Group and its associates" disclosed in this section that constitute connected transactions under the Hong Kong Listing Rules, the other connected transactions disclosed in this section do not constitute connected transactions under the Hong Kong Listing Rules, and the Bank has no other connected transactions or continuing connected transactions that shall be disclosed according to relevant provisions on connected transactions in the Hong Kong Listing Rules.

2 Pursuant to Rule 14A.87 of the Hong Kong Listing Rules, for any financial assistance provided by a banking company in its ordinary and usual course of business to a connected person, the transaction is fully exempt under the Hong Kong Listing Rules if it is conducted on normal commercial terms. Accordingly, the credit type transactions conducted between the Bank and all of its connected persons (including China Post Group) on normal commercial terms were fully exempt under the Hong Kong Listing Rules.

Non-credit Type Connected Transactions

The implementation of the caps of routine non-credit type connected transactions between the Bank and China Post Group and its associates as at the end of the reporting period is shown in the following table:

In RMB100 million

Type of connected transactions	Annual cap in 2024	Amount of connected transactions as at June 30, 2024
Leasing of certain properties and ancillary equipment by China Post Group and/or its associates to the Bank	15.30	4.52
Leasing of certain properties and ancillary equipment by the Bank to China Post Group and/or its associates	2.00	0.24
Sale of philatelic items and provision of mailing services by China Post Group and/or its associates to the Bank	4.90	0.49
Sale of goods other than philatelic items by China Post Group and/or its associates to the Bank	16.50	1.57
Provision of marketing services for deposit-taking and other businesses by China Post Group and/or its associates to the Bank	25.70	5.77
Provision of labor services by China Post Group and/or its associates to the Bank	19.80	4.56
Provision of bancassurance services by the Bank to China Post Group and/or its associates	47.00	5.05
Provision of agency sale (distribution) of precious metals business by the Bank to China Post Group and/or its associates	9.00	0.29
Sale of production materials and other goods by the Bank to China Post Group and/or its associates	2.70	0.12
Provision of labor services by the Bank to China Post Group and/or its associates	4.60	0.67

Implementation of the Caps of Connected Transactions with China UnionPay Co., Ltd.

The implementation of the caps of routine connected transactions between the Bank and China UnionPay Co., Ltd. as at the end of the reporting period is shown in the following table:

In RMB100 million

Type of connected transactions	Annual cap in 2024	Amount of connected transactions as at June 30, 2024
Clearing services between the Bank and China UnionPay Co., Ltd. – Funds paid by the Bank	43.20	5.96
Clearing services between the Bank and China UnionPay Co., Ltd. – Funds received by the Bank	98.80	18.34

For the related party transactions defined under domestic and overseas laws and regulations and accounting standards, please refer to "Notes to the Condensed Consolidated Financial Statements – 36 Relationship and Transactions with Related Parties".

Pledge of Assets

For the details of the pledge of assets by the Bank as at the end of the reporting period, please refer to "Notes to the Condensed Consolidated Financial Statements – 38.2 Collateral".

Repurchase, Sale or Redemption of the Bank's Listed Securities

During the reporting period, the Bank and its subsidiaries did not repurchase, sell or redeem any of its listed securities (including sale of treasury shares). As at the end of the reporting period, the Bank did not hold any treasury shares.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors and Supervisors on terms no less stringent than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank have confirmed that they had complied with such code of conduct during the reporting period.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

During the reporting period, the Bank did not grant any rights to acquire shares or debentures to any of its Directors or Supervisors, nor were any of such rights exercised by any of the Bank's Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement which would enable the Directors and Supervisors to benefit from the acquisition of shares or debentures of the Bank or any other companies.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors

As at the end of the reporting period, none of the Directors or Supervisors of the Bank held any interests or short positions (including interests and short positions in which they are deemed to have under such provisions of the SFO) in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or any interests or short positions which have to be recorded in the register under Section 352 of the SFO, or any interests or short positions which have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to "Changes in Share Capital and Shareholdings of Shareholders – Interests and Short Positions Held by Substantial Shareholders and Other Persons".

Penalties Imposed on the Bank and Its Directors, Supervisors, Senior Management Members and Controlling Shareholder

During the reporting period, neither the Bank nor any of its controlling shareholder, Directors, Supervisors or senior management members were subject to investigation, criminal punishment or material administrative penalty due to suspected crime, or investigation, administrative penalties or regulatory measures by the CSRC due to suspected violation of laws and regulations, or disciplinary actions by the stock exchange. Neither the controlling shareholder, Directors, Supervisors nor senior management members of the Bank were subject to detention or other compulsory measures by the competent authorities due to suspected violation of laws and regulations, or disciplinary actions and such action affected his/her performance of duties.

Other Significant Events

The Bank intends to invest RMB8 billion to participate in the establishment of National Integrated Circuit Industry Investment Fund Phase III Co., Ltd., and the investment has been approved by the NFRA. For the details of other significant matters disclosed by the Bank pursuant to regulatory requirements, please refer to the announcements published by the Bank.

Interim Review

The 2024 interim financial report prepared by the Bank in accordance with the PRC GAAP and IFRSs has been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with the Chinese and international standards on review engagements, respectively.

This report has been reviewed and approved by the Board of Directors of the Bank and its Audit Committee.

Financial Statements and Others

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

To the Board of Directors of Postal Savings Bank of China Co., Ltd.
(a joint stock company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Postal Savings Bank of China Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 155 to 283, which comprise the condensed consolidated statement of financial position as of June 30, 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated 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 ("IASB"). The directors of the Bank are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed 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" ("ISRE 2410") issued by the International Auditing and Assurance Standards Board. A review of these condensed 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, China
August 30, 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024
(All amounts in millions of RMB unless otherwise stated)

		Six-month period ended June 30	
	Notes	2024 (unaudited)	2023 (unaudited)
Interest income	3	**254,683**	245,310
Interest expense	3	**(111,807)**	(105,005)
Net interest income	3	**142,876**	140,305
Fee and commission income	4	**23,688**	34,006
Fee and commission expense	4	**(8,527)**	(15,803)
Net fee and commission income	4	**15,161**	18,203
Net trading gains	5	**2,281**	2,253
Net gains on investment securities	6	**14,428**	13,677
Net gains on derecognition of financial assets measured at amortized cost		**1,731**	1,325
Share of results of associates		**6**	7
Net other operating gains	7	**436**	1,387
Operating income		**176,919**	177,157
Operating expenses	8	**(107,372)**	(103,109)
Credit impairment losses	9	**(16,120)**	(19,316)
Impairment losses on other assets		**(13)**	(1)
Profit before income tax		**53,414**	54,731
Income tax expenses	10	**(4,529)**	(5,093)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024
(All amounts in millions of RMB unless otherwise stated)

		Six-month period ended June 30	
	Notes	2024 (unaudited)	2023 (unaudited)
Net profit		**48,885**	49,638
Net profit attributable to:			
Equity holders of the Bank		**48,815**	49,564
Non-controlling interests		**70**	74
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefit obligations	33.3	**(22)**	(22)
Changes in fair value of equity instrument investments measured at fair value through other comprehensive income	33.3	**145**	(600)
Share of other comprehensive income of associates, net of income tax	33.3	**17**	–
Subtotal		**140**	(622)
Item that may be reclassified subsequently to profit or loss			
Net gains on investments in financial assets measured at fair value through other comprehensive income	33.3	**2,358**	1,771
Subtotal		**2,358**	1,771
Total comprehensive income for the period		**51,383**	50,787
Total comprehensive income attributable to:			
Equity holders of the Bank		**51,313**	50,713
Non-controlling interests		**70**	74
Basic and diluted earnings per share (in RMB Yuan)	11	**0.44**	0.46

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024
(All amounts in millions of RMB unless otherwise stated)

	Notes	As at June 30, 2024 (unaudited)	As at December 31, 2023 (audited)
Assets			
Cash and deposits with central bank	12	**1,308,757**	1,337,501
Deposits with banks and other financial institutions	13	**255,419**	189,216
Placements with banks and other financial institutions	14	**328,849**	297,742
Derivative financial assets	15	**3,459**	2,154
Financial assets held under resale agreements	16	**211,036**	409,526
Loans and advances to customers	17	**8,424,546**	7,915,245
Financial investments			
Financial assets measured at fair value through profit or loss	18.1	**994,505**	888,516
Financial assets measured at fair value through other comprehensive income-debt instruments	18.2	**516,665**	503,536
Financial assets measured at fair value through other comprehensive income-equity instruments	18.3	**4,826**	7,326
Financial assets measured at amortized cost	18.4	**4,147,488**	3,988,210
Interests in associates	20	**695**	673
Property and equipment	21	**57,001**	55,220
Deferred tax assets	22	**61,842**	62,508
Other assets	23	**98,441**	69,258
Total assets		**16,413,529**	15,726,631
Liabilities			
Borrowings from central bank	24	**30,807**	33,835
Deposits from banks and other financial institutions	25	**121,780**	95,303
Placements from banks and other financial institutions	26	**61,549**	60,212
Derivative financial liabilities	15	**4,294**	3,595
Financial assets sold under repurchase agreements	27	**85,197**	273,364
Customer deposits	28	**14,865,060**	13,955,963
Income tax payable		**80**	79
Debt securities issued	29	**132,491**	261,138
Deferred tax liabilities	22	**13**	4
Other liabilities	30	**105,459**	86,522
Total liabilities		**15,406,730**	14,770,015

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

(All amounts in millions of RMB unless otherwise stated)

	Notes	As at June 30, 2024 (unaudited)	As at December 31, 2023 (audited)
Equity			
Share capital	31.1	**99,161**	99,161
Other equity instruments			
Perpetual bonds	31.2	**199,986**	169,986
Capital reserve	32	**162,679**	162,682
Other reserves	33	**275,372**	273,740
Retained earnings		**267,788**	249,304
Equity attributable to equity holders of the Bank		**1,004,986**	954,873
Non-controlling interests		**1,813**	1,743
Total equity		**1,006,799**	956,616
Total equity and liabilities		**16,413,529**	15,726,631

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

Approved and authorized for issue by the Board of Directors on August 30, 2024.

Liu Jianjun	Yao Hong
(On behalf of Board of Directors)	(On behalf of Board of Directors)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024
(All amounts in millions of RMB unless otherwise stated)

		Attributable to equity holders of the Bank									
			Other equity instruments		Other reserves						
	Notes	Share capital	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2024 (audited)		99,161	169,986	162,682	67,010	201,696	5,034	249,304	954,873	1,743	956,616
Net profit for the period		-	-	-	-	-	-	48,815	48,815	70	48,885
Other comprehensive income for the period	33.3	-	-	-	-	-	2,498	-	2,498	-	2,498
Total comprehensive income for the period		-	-	-	-	-	2,498	48,815	51,313	70	51,383
Issuance of perpetual bonds	31.2	-	30,000	(3)	-	-	-	-	29,997	-	29,997
Appropriation to general reserve	33.2	-	-	-	-	100	-	(100)	-	-	-
Dividends to ordinary shareholders	34	-	-	-	-	-	-	(25,881)	(25,881)	-	(25,881)
Distribution to perpetual bonds holders	34	-	-	-	-	-	-	(5,316)	(5,316)	-	(5,316)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	18.3	-	-	-	-	-	(966)	966	-	-	-
As at June 30, 2024 (unaudited)		99,161	199,986	162,679	67,010	201,796	6,566	267,788	1,004,986	1,813	1,006,799

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

(All amounts in millions of RMB unless otherwise stated)

		Attributable to equity holders of the Bank									
			Other equity instruments		Other reserves						
	Notes	Share capital	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2023 (audited)		92,384	139,986	124,479	58,478	178,784	4,918	225,196	824,225	1,589	825,814
Net profit for the period		–	–	–	–	–	–	49,564	49,564	74	49,638
Other comprehensive income for the period	33.3	–	–	–	–	–	1,149	–	1,149	–	1,149
Total comprehensive income for the period		–	–	–	–	–	1,149	49,564	50,713	74	50,787
Issuance of ordinary shares	31.1	6,777	–	38,203	–	–	–	–	44,980	–	44,980
Appropriation to general reserve		–	–	–	–	80	–	(80)	–	–	–
Dividends to ordinary shareholders	34	–	–	–	–	–	–	(25,574)	(25,574)	–	(25,574)
Distribution to perpetual bonds holders	34	–	–	–	–	–	–	(5,316)	(5,316)	–	(5,316)
Others		–	–	–	–	–	(8)	8	–	–	–
As at June 30, 2023 (unaudited)		99,161	139,986	162,682	58,478	178,864	6,059	243,798	889,028	1,663	890,691

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024
(All amounts in millions of RMB unless otherwise stated)

		Attributable to equity holders of the Bank									
			Other equity instruments		Other reserves						
	Notes	Share capital	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2023 (audited)		92,384	139,986	124,479	58,478	178,784	4,918	225,196	824,225	1,589	825,814
Net profit for the year		–	–	–	–	–	–	86,270	86,270	154	86,424
Other comprehensive income for the year		–	–	–	–	–	288	–	288	–	288
Total comprehensive income for the year		–	–	–	–	–	288	86,270	86,558	154	86,712
Issuance of ordinary shares	31.1	6,777	–	38,203	–	–	–	–	44,980	–	44,980
Issuance of perpetual bonds	31.2	–	30,000	–	–	–	–	–	30,000	–	30,000
Appropriation to surplus reserve	33.1	–	–	–	8,532	–	–	(8,532)	–	–	–
Appropriation to general reserve	33.2	–	–	–	–	22,912	–	(22,912)	–	–	–
Dividends declared and paid to ordinary shareholders	34	–	–	–	–	–	–	(25,574)	(25,574)	–	(25,574)
Distribution to perpetual bonds holders	34	–	–	–	–	–	–	(5,316)	(5,316)	–	(5,316)
Realized gain of equity instrument investments measured at fair value through other comprehensive income		–	–	–	–	–	(172)	172	–	–	–
As at December 31, 2023 (audited)		99,161	169,986	162,682	67,010	201,696	5,034	249,304	954,873	1,743	956,616

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024
(All amounts in millions of RMB unless otherwise stated)

	Six-month period ended June 30	
	2024 (unaudited)	**2023 (unaudited)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**53,414**	54,731
Adjustments for:		
Amortization of intangible assets and other assets	**1,073**	939
Depreciation of property and equipment and right-of-use assets	**4,611**	4,508
Impairment loss on assets		
– Credit impairment losses	**16,120**	19,316
– Impairment losses on other assets	**13**	1
Interest income arising from financial investments	**(70,231)**	(67,762)
Interest expense arising from debt securities issued	**2,877**	2,414
Net gains on investment securities	**(14,352)**	(15,002)
Unrealized exchange gains	**(781)**	(1,194)
Share of results of associates	**(6)**	(7)
Net losses from disposal of property and equipment and other assets	**10**	4
Subtotal	**(7,252)**	(2,052)
NET (INCREASE)/DECREASE IN OPERATING ASSETS		
Deposits with central bank	**(5,270)**	(21,733)
Deposits with banks and other financial institutions	**(65,485)**	(14,852)
Placements with banks and other financial institutions	**(9,547)**	(23,250)
Financial assets measured at fair value through profit or loss	**(3,213)**	(1,132)
Financial assets held under resale agreements	**44,708**	27,163
Loans and advances to customers	**(524,284)**	(620,953)
Other operating assets	**(33,655)**	(14,269)
Subtotal	**(596,746)**	(669,026)
NET (DECREASE)/INCREASE IN OPERATING LIABILITIES		
Borrowings from central bank	**(2,998)**	8,938
Deposits from banks and other financial institutions	**26,402**	5,248
Placements from banks and other financial institutions	**1,382**	23,043
Financial assets sold under repurchase agreements	**(187,988)**	147,181
Customer deposits	**928,925**	602,070
Other operating liabilities	**(27,689)**	(24,603)
Subtotal	**738,034**	761,877
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE TAX	**134,036**	90,799
Income tax paid	**(3,104)**	(7,302)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**130,932**	83,497
CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	**192,418**	186,296
Interest paid	**(129,203)**	(120,894)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024
(All amounts in millions of RMB unless otherwise stated)

		Six-month period ended June 30	
	Note	2024 (unaudited)	2023 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of financial investments		**833,568**	791,753
Cash received from income arising from financial investments		**81,943**	81,580
Cash received from disposal of property and equipment, intangible assets and other long-term assets		**39**	46
Cash paid for purchase of financial investments		**(1,106,073)**	(1,012,895)
Cash paid for purchase of property and equipment, intangible assets and other long-term assets		**(7,410)**	(5,570)
NET CASH USED IN INVESTING ACTIVITIES		**(197,933)**	(145,086)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from issuance of ordinary shares		**–**	45,000
Cash received from issuance of perpetual bonds		**30,000**	–
Cash received from issuance of debt securities		**–**	211,530
Cash paid for dividends and interests		**(7,700)**	(8,270)
Cash paid for issuance of ordinary shares		**–**	(20)
Cash paid for issuance of perpetual bonds		**(3)**	–
Cash paid for issuance of debt securities		**–**	(1)
Cash paid for repayment of debt securities		**(129,140)**	(14,640)
Cash paid to repay principal and interest of lease liabilities		**(1,757)**	(1,891)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(108,600)**	231,708
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**6**	160
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(175,595)**	170,279
Balance of cash and cash equivalents at the beginning of period		**453,227**	239,980
BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	35	**277,632**	410,259

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

(All amounts in millions of RMB unless otherwise stated)

1 General information

Postal Savings Bank of China Co., Ltd. (the "Bank") is a joint-stock commercial bank controlled by China Post Group Co., Ltd. ("China Post Group"). The Bank, originally known as Postal Savings Bank of China Company Limited (the "Company"), was established on March 6, 2007 through restructuring of the postal savings system.

In 2011, with the approval from the Ministry of Finance (the "MOF") of the People's Republic of China (the "PRC") and the former China Banking and Insurance Regulatory Commission (the former "CBIRC"), the Bank was restructured into a joint-stock bank.

On September 28, 2016 and December 10, 2019, the Bank was listed on The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively. Information regarding the Bank's share issuance is set out in Note 31.

As at June 30, 2024, the Bank had 99,161 million common shares, at a face value of Renminbi ("RMB") 1.00 per share.

The Bank, as approved by the former CBIRC, holds a financial institution license of the PRC (No. B0018H111000001) and approved by and obtained its business license with unified social credit code 9111000071093465XC from the Beijing Administration for Market Regulation. The address of the Bank's registered office is No. 3 Jinrong Street, Xicheng District, Beijing, the PRC.

The Bank and its subsidiaries (the "Group") conduct their operating activities in the PRC, and the principal activities include: personal and corporate financial services, treasury operations and other business activities as approved by the National Administration of Financial Regulation (the "NAFR").

As at June 30, 2024, the Bank had a total of 36 tier-one branches and 324 tier-two branches across the PRC.

The information of the Bank's subsidiaries is set out in Note 19.

The condensed consolidated financial statements are presented in RMB, which is also the functional currency of the Bank and its subsidiaries.

The condensed consolidated financial statements were authorized for issue by the Board of Directors of the Bank on August 30, 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024
(All amounts in millions of RMB unless otherwise stated)

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation

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

2.2 Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month ended June 30, 2024 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2023.

Application of amendments to International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on or after January 1, 2024 for the preparation of the Group's condensed consolidated financial statements:

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

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

2.3 Use of estimates and assumptions

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

In the preparation of the condensed consolidated financial statements, the key sources of uncertainty derived from significant judgements and estimation made by the management while applying the Group's accounting policies are the same as these applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2023.

(All amounts in millions of RMB unless otherwise stated)

3 Net interest income

	Six-month period ended June 30	
	2024	**2023**
Interest income		
Deposits with central bank	**10,093**	9,910
Deposits with banks and other financial institutions	**2,818**	2,196
Placements with banks and other financial institutions	**5,222**	4,962
Financial assets held under resale agreements	**3,059**	2,370
Loans and advances to customers	**163,260**	158,110
Including: Personal loans and advances	**99,837**	101,917
Corporate loans and advances	**63,423**	56,193
Financial investments		
Financial assets measured at fair value through other comprehensive income ("FVTOCI") – debt instruments	**7,077**	6,370
Financial assets measured at amortized cost	**63,154**	61,392
Subtotal	**254,683**	245,310
Interest expense		
Borrowings from central bank	**(268)**	(251)
Deposits from banks and other financial institutions	**(935)**	(503)
Placements from banks and other financial institutions	**(907)**	(940)
Financial assets sold under repurchase agreements	**(1,000)**	(1,285)
Customer deposits	**(105,820)**	(99,612)
Debt securities issued	**(2,877)**	(2,414)
Subtotal	**(111,807)**	(105,005)
Net interest income	**142,876**	140,305

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4 Net fee and commission income

		Six-month period ended June 30	
		2024	**2023**
Agency service business	(1)	**6,383**	17,790
Bank cards business		**5,456**	6,154
Settlement and clearing	(2)	**5,255**	5,257
Investment banking	(3)	**2,434**	1,633
Wealth management		**1,852**	1,525
Custody business		**596**	564
Others		**1,712**	1,083
Fee and commission income		**23,688**	34,006
Fee and commission expense	(4)	**(8,527)**	(15,803)
Net fee and commission income		**15,161**	18,203

(1) Fee and commission income from agency service business mainly includes fee and commission income from bancassurance, distribution of fund products, government bonds underwriting, and collection and payment services.

(2) Fee and commission income from settlement and clearing refers to income derived from settlement and clearing services the Group provided to customers, including fee and commission derived from electronic payment services, corporate settlement services and personal settlement services.

(3) Fee and commission income from investment banking refers to income derived from underwriting and distributing bonds, asset securitization, syndicated loan and advisory services.

(4) Fee and commission expense is expense incurred for agency and settlement services, including those paid to China Post Group for agency services (Note 36.3.1(1)).

(All amounts in millions of RMB unless otherwise stated)

5 Net trading gains

	Six-month period ended June 30	
	2024	**2023**
Debt securities	**2,308**	2,240
Derivatives and others	**(27)**	13
Total	**2,281**	2,253

6 Net gains on investment securities

	Six-month period ended June 30	
	2024	**2023**
Net gains from financial assets measured at fair value through profit or loss ("FVTPL")	**13,216**	12,707
Net gains from financial assets measured at FVTOCI	**1,212**	970
Total	**14,428**	13,677

7 Net other operating gains

	Six-month period ended June 30	
	2024	**2023**
Government subsidies	**459**	455
Leasing income	**49**	48
Net (losses)/gains on foreign exchanges	**(277)**	669
Others	**205**	215
Total	**436**	1,387

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8 Operating expenses

		Six-month period ended June 30	
		2024	**2023**
Deposit agency fee and others (Note 36.3.1(1))		**60,859**	56,076
Staff costs (including emoluments of directors, supervisors and senior management)	(1)	**28,036**	28,519
Depreciation and amortization		**5,684**	5,447
Taxes and surcharges	(2)	**1,307**	1,495
Other expenses	(3)	**11,486**	11,572
Total		**107,372**	103,109

(1) Staff costs (including emoluments of directors, supervisors and senior management)

	Six-month period ended June 30	
	2024	**2023**
Short-term employee benefits		
Wages and salaries, bonuses, allowance and subsidies	**17,733**	18,830
Housing funds	**2,298**	2,165
Social security contributions	**1,844**	1,758
Including: Medical insurance	**1,768**	1,686
Maternity insurance	**32**	31
Work injury insurance	**44**	41
Staff welfare	**1,103**	1,028
Labour union funds and employee education funds	**524**	560
Others	**19**	7
Subtotal	**23,521**	24,348
Defined contribution plans		
Basic pensions	**2,777**	2,597
Annuity scheme	**1,627**	1,478
Unemployment insurance	**98**	86
Subtotal	**4,502**	4,161
Supplementary retirement benefits and early retirement benefits	**13**	10
Total	**28,036**	28,519

(2) Taxes and surcharges mainly include urban construction tax, educational surcharges, property tax, land use tax, vehicle and vessel use tax and stamp duty, etc.

(3) For the six-month period ended June 30, 2024, the rental expenses of short-term leases and low value asset leases included in other expenses were RMB336 million (for the six-month period ended June 30, 2023: RMB282 million).

(All amounts in millions of RMB unless otherwise stated)

9 Credit impairment losses

	Six-month period ended June 30	
	2024	**2023**
Deposits with banks and other financial institutions	**642**	(122)
Placements with banks and other financial institutions	**692**	(547)
Financial assets held under resale agreements	**(533)**	1,133
Loans and advances to customers	**15,690**	16,729
Financial investments		
Financial assets measured at FVTOCI	**(263)**	598
Financial assets measured at amortized cost	**(1,471)**	1,139
Credit commitments	**814**	(154)
Other financial assets	**549**	540
Total	**16,120**	19,316

10 Income tax expenses

	Six-month period ended June 30	
	2024	**2023**
Current income tax	**4,366**	6,473
Deferred income tax (Note 22(1))	**163**	(1,380)
Total	**4,529**	5,093

Corporate income tax is mainly calculated at 25% of estimated taxable profit. PSBC Consumer Finance Co., Ltd. applies a preferential tax rate of 15% for high-tech enterprises. Pre-tax deductible items of corporate income tax are governed by the relevant regulations of the PRC.

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10 Income tax expenses (continued)

Reconciliation of income tax expenses and profit before income tax are as follows:

	Six-month period ended June 30	
	2024	**2023**
Profit before income tax	**53,414**	54,731
Income tax expenses calculated at the statutory tax rate of 25%	**13,353**	13,683
Tax effect of income with non-taxable, tax reduction and deduction of interest for tax purpose	**(9,375)**	(9,253)
Tax effect of expenses not deductible for tax purpose	**531**	441
Effect of unrecognised deferred tax assets arising from deductible tax losses	**48**	–
Effect of changes in tax rates of certain subsidiary	**–**	285
Effect of different tax rates of certain subsidiary	**(28)**	(63)
Income tax expenses	**4,529**	5,093

The Group's interest income from central and local government bonds and income from the distribution of securities investment funds are exempted from corporate income tax in accordance with the tax law; and the interest income from bonds issued by Ministry of Railways and micro loans to farmers enjoy reduction in corporate income tax; according to the *Notice of the Ministry of Finance and the State Administration of Taxation on corporate income tax policy of special bond interest income of Postal Savings Bank of China (CS [2015] No. 150)*, the interest income from special bonds issued by China Development Bank and Agricultural Development Bank of China can enjoy reduction in corporate income tax charge.

11 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the corresponding period.

	Six-month period ended June 30	
	2024	**2023**
Net profit attributable to equity holders of the Bank	**48,815**	49,564
Less: Net profit for the period attributable to perpetual bonds holders of the Bank	**5,316**	5,316
Net profit attributable to ordinary shareholders of the Bank	**43,499**	44,248
Weighted average number of ordinary shares in issue (in millions)	**99,161**	95,773
Basic and diluted earnings per share (in RMB Yuan)	**0.44**	0.46

There were no potential dilutive ordinary shares and the diluted earnings per share were the same as the basic earnings per share for the six-month period ended June 30, 2024 and 2023.

12 Cash and deposits with central bank

		As at June 30, 2024	As at December 31, 2023
Cash		**42,677**	47,676
Statutory reserve with central bank	(1)	**1,251,937**	1,243,832
Surplus reserve with central bank	(2)	**12,485**	41,458
Fiscal deposits with central bank		**1,658**	4,535
Total		**1,308,757**	1,337,501

(1) Statutory reserve with central bank is mainly the general reserve deposited with the People's Bank of China (hereinafter referred to as the "central bank" or the "PBOC") by the Group in accordance with the relevant regulations, and cannot be used for daily operating activities. As at June 30, 2024, the ratio of the Bank for RMB deposits statutory reserve was 8.50% (December 31, 2023: 9.00%), whereas the ratio for foreign currency deposits was 4.00% (December 31, 2023: 4.00%). The statutory reserve funds placed by subsidiaries of the Bank are determined by the PBOC.

(2) Surplus reserve with central bank mainly represents deposits placed with central bank for settlement and clearing of interbank transactions.

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13 Deposits with banks and other financial institutions

	As at June 30, 2024	As at December 31, 2023
Deposits with domestic banks	**251,951**	188,064
Deposits with other domestic financial institutions	**2,319**	209
Deposits with overseas banks	**3,056**	2,208
Gross amount	**257,326**	190,481
Allowance for impairment loss	**(1,907)**	(1,265)
Carrying amount	**255,419**	189,216

The collateral received in connection with deposits with banks and other financial institutions is disclosed in "Note 38.2 Contingent liabilities and commitments – Collateral". As at June 30, 2024 and December 31, 2023, the Group did not have any netting agreements or similar arrangements with counterparties.

14 Placements with banks and other financial institutions

	As at June 30, 2024	As at December 31, 2023
Placements with domestic banks	**26,570**	6,991
Placements with other domestic financial institutions	**304,140**	291,920
Gross amount	**330,710**	298,911
Allowance for impairment loss	**(1,861)**	(1,169)
Carrying amount	**328,849**	297,742

(All amounts in millions of RMB unless otherwise stated)

15 Derivative financial assets and liabilities

The Group enters into derivative contracts of foreign exchange rate, interest rate and precious metal, which are primarily related to trading, asset and liability management, and customer driven transactions.

The contractual/notional amount and fair value of the derivative financial instruments held by the Group as at the end of the reporting period are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair value of instruments recognized on the condensed consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, or market prices of precious metals relative to their terms. The aggregate fair value of derivative financial assets and liabilities can fluctuate significantly over different periods.

	As at June 30, 2024			As at December 31, 2023		
	Contractual/ Notional amounts	Assets	Liabilities	Contractual/ Notional amounts	Assets	Liabilities
Analyzed by types of contracts:						
Exchange rate contracts	**324,919**	**1,273**	**(1,701)**	133,000	699	(1,721)
Interest rate contracts	**386,600**	**2,052**	**(2,227)**	372,740	1,448	(1,489)
Precious metal contracts	**24,644**	**134**	**(366)**	4,406	7	(385)
Total	**736,163**	**3,459**	**(4,294)**	510,146	2,154	(3,595)

	As at June 30, 2024	As at December 31, 2023
Analyzed by credit risk-weighted amount for counterparty:		
Credit risk-weighted amount		
Exchange rate contracts	**3,972**	862
Precious metal contracts	**970**	9
Subtotal	**4,942**	871
Credit value adjustments	**927**	365
Central counterparties risk-weighted amount	**13**	117
Total	**5,882**	1,353

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15 Derivative financial assets and liabilities (continued)

Credit risk-weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract. As at June 30, 2024, it is calculated in accordance with the *Capital Rules for Commercial Banks* (《商業銀行資本管理辦法》) issued by the NAFR which was effective from January 1, 2024. As at December 31, 2023, it is calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (《商業銀行資本管理辦法(試行)》) issued by the former CBIRC which was effective from January 1, 2013 and "Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives" issued by the former CBIRC which was effective from January 1, 2019.

16 Financial assets held under resale agreements

	As at June 30, 2024	As at December 31, 2023
Analyzed by type of collateral:		
Debt securities	**119,256**	352,793
Bills	**91,983**	57,469
Gross amount	**211,239**	410,262
Allowance for impairment loss	**(203)**	(736)
Carrying amount	**211,036**	409,526

The collateral received in connection with the purchase of financial assets under resale agreement is disclosed in "Note 38.2 Contingent liabilities and commitments – Collateral". As at June 30, 2024 and December 31, 2023, the Group did not have any netting agreements or similar arrangements with counterparties.

17 Loans and advances to customers

17.1 Loans and advances to customers by types

		As at June 30, 2024	As at December 31, 2023
Loans and advances to customers			
– Measured at amortized cost	(1)	**7,717,508**	7,177,797
– Measured at FVTOCI	(2)	**707,038**	737,448
Total		**8,424,546**	7,915,245

(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.1 Loans and advances to customers by types (continued)

(1) Loans and advances to customers measured at amortized cost

	As at June 30, 2024	As at December 31, 2023
Personal loans and advances		
Consumer loans	**2,929,340**	2,858,741
– Residential mortgage loans	**2,361,609**	2,337,991
– Other consumer loans	**567,731**	520,750
Personal small and micro loans	**1,535,010**	1,392,227
Credit cards overdrafts and others	**223,267**	219,280
Subtotal	**4,687,617**	4,470,248
Corporate loans and advances		
– Loans	**3,262,785**	2,940,719
– Discounted bills	**1,322**	478
Subtotal	**3,264,107**	2,941,197
Gross amount of loans and advances to customers measured at amortized cost	**7,951,724**	7,411,445
Less: Allowance for impairment loss of loans and advances to customers measured at amortized cost		
– Stage 1	**144,348**	158,240
– Stage 2	**21,822**	12,691
– Stage 3	**68,046**	62,717
Carrying amount of loans and advances to customers measured at amortized cost	**7,717,508**	7,177,797

(2) Loans and advances to customers measured at FVTOCI

	As at June 30, 2024	As at December 31, 2023
Corporate loans and advances		
– Loans	**269,860**	273,752
– Discounted bills	**437,178**	463,696
Loans and advances to customers measured at FVTOCI	**707,038**	737,448

17.2 Detailed information regarding loans and advances to customers by geographical region, industry, types of collateral and overdue situation is set out in Note 41.3.4.

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17 Loans and advances to customers (continued)

17.3 Loans and advances to customers by allowance for impairment loss

	As at June 30, 2024			
	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances to customers measured at amortized cost	**7,794,217**	**84,689**	**72,818**	**7,951,724**
Allowance for impairment loss of loans and advances to customers measured at amortized cost	**(144,348)**	**(21,822)**	**(68,046)**	**(234,216)**
Carrying amount of loans and advances to customers measured at amortized cost	**7,649,869**	**62,867**	**4,772**	**7,717,508**
Loans and advances to customers measured at FVTOCI	**706,748**	**290**	**–**	**707,038**
Allowance for impairment loss of loans and advances to customers measured at FVTOCI	**(798)**	**(5)**	**–**	**(803)**

	As at December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances to customers measured at amortized cost	7,296,799	47,117	67,529	7,411,445
Allowance for impairment loss of loans and advances to customers measured at amortized cost	(158,240)	(12,691)	(62,717)	(233,648)
Carrying amount of loans and advances to customers measured at amortized cost	7,138,559	34,426	4,812	7,177,797
Loans and advances to customers measured at FVTOCI	737,415	33	–	737,448
Allowance for impairment losses of loans and advances to customers measured at FVTOCI	(818)	(1)	–	(819)

(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.4 The following tables illustrate the changes in the gross amount of loans and advances to customers

(1) Personal loans and advances to customers measured at amortized cost

Personal loans and advances to customers measured at amortized cost	Six-month period ended June 30, 2024 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2024	**4,399,038**	**21,287**	**49,923**	**4,470,248**
Transfers:				
Transfer to stage 1	**4,710**	**(3,487)**	**(1,223)**	**–**
Transfer to stage 2	**(48,167)**	**49,341**	**(1,174)**	**–**
Transfer to stage 3	**(18,803)**	**(8,619)**	**27,422**	**–**
Financial assets derecognized or settled during the period	**(992,083)**	**(5,893)**	**(12,411)**	**(1,010,387)**
New financial assets originated or purchased	**1,236,465**	**–**	**–**	**1,236,465**
Write-offs	**–**	**–**	**(8,709)**	**(8,709)**
Gross amount as at June 30, 2024	**4,581,160**	**52,629**	**53,828**	**4,687,617**

Personal loans and advances to customers measured at amortized cost	Year ended December 31, 2023 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2023	3,982,011	18,506	45,588	4,046,105
Transfers:				
Transfer to stage 1	7,033	(3,729)	(3,304)	–
Transfer to stage 2	(20,823)	21,238	(415)	–
Transfer to stage 3	(34,607)	(5,432)	40,039	–
Financial assets derecognized or settled during the year	(1,580,159)	(9,296)	(16,000)	(1,605,455)
New financial assets originated or purchased	2,045,583	–	–	2,045,583
Write-offs	–	–	(15,985)	(15,985)
Gross amount as at December 31, 2023	4,399,038	21,287	49,923	4,470,248

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17 Loans and advances to customers (continued)

17.4 The following tables illustrate the changes in the gross amount of loans and advances to customers (continued)

(2) Corporate loans and advances to customers measured at amortized cost

	Six-month period ended June 30, 2024			
Corporate loans and advances to customers measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross amount as at January 1, 2024	**2,897,761**	**25,830**	**17,606**	**2,941,197**
Transfers:				
Transfer to stage 1	**3,142**	**(3,139)**	**(3)**	**–**
Transfer to stage 2	**(13,469)**	**13,532**	**(63)**	**–**
Transfer to stage 3	**(2,744)**	**(1,716)**	**4,460**	**–**
Financial assets derecognized or settled during the period	**(375,833)**	**(2,447)**	**(1,429)**	**(379,709)**
New financial assets originated or purchased	**704,200**	**–**	**–**	**704,200**
Write-offs	**–**	**–**	**(1,581)**	**(1,581)**
Gross amount as at June 30, 2024	**3,213,057**	**32,060**	**18,990**	**3,264,107**

	Year ended December 31, 2023			
Corporate loans and advances to customers measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross amount as at January 1, 2023	2,529,288	17,596	15,077	2,561,961
Transfers:				
Transfer to stage 1	2,546	(2,541)	(5)	–
Transfer to stage 2	(16,729)	19,008	(2,279)	–
Transfer to stage 3	(8,822)	(3,076)	11,898	–
Financial assets derecognized or settled during the year	(761,354)	(5,157)	(3,835)	(770,346)
New financial assets originated or purchased	1,152,832	–	168	1,153,000
Write-offs	–	–	(3,418)	(3,418)
Gross amount as at December 31, 2023	2,897,761	25,830	17,606	2,941,197

(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.4 The following tables illustrate the changes in the gross amount of loans and advances to customers (continued)

(3) Loans and advances to customers measured at FVTOCI

Loans and advances to customers measured at FVTOCI	Six-month period ended June 30, 2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Carrying amount as at January 1, 2024	**737,415**	**33**	**–**	**737,448**
Transfers:				
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**(290)**	**290**	**–**	**–**
Transfer to stage 3	**–**	**–**	**–**	**–**
Financial assets derecognized or settled during the period	**(654,528)**	**(33)**	**–**	**(654,561)**
New financial assets originated or purchased	**624,151**	**–**	**–**	**624,151**
Write-offs	**–**	**–**	**–**	**–**
Carrying amount as at June 30, 2024	**706,748**	**290**	**–**	**707,038**

Loans and advances to customers measured at FVTOCI	Year ended December 31, 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Carrying amount as at January 1, 2023	602,037	162	168	602,367
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(33)	33	–	–
Transfer to stage 3	–	–	–	–
Financial assets derecognized or settled during the year	(602,037)	(162)	(168)	(602,367)
New financial assets originated or purchased	737,448	–	–	737,448
Write-offs	–	–	–	–
Carrying amount as at December 31, 2023	737,415	33	–	737,448

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17 Loans and advances to customers (continued)

17.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers

(1) Personal loans and advances to customers measured at amortized cost

	Six-month period ended June 30, 2024			
Personal loans and advances to customers measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2024	**85,587**	**7,582**	**47,033**	**140,202**
Transfers:				
Transfer to stage 1	**1,833**	**(1,097)**	**(736)**	**–**
Transfer to stage 2	**(2,581)**	**3,315**	**(734)**	**–**
Transfer to stage 3	**(1,608)**	**(3,880)**	**5,488**	**–**
Changes of expected credit loss ("ECL") arising from transfer of stage	**(1,406)**	**10,599**	**17,178**	**26,371**
Financial assets derecognized or settled during the period	**(22,700)**	**(1,435)**	**(10,800)**	**(34,935)**
New financial assets originated or purchased	**25,783**	**–**	**–**	**25,783**
Remeasurement	**64**	**90**	**1,915**	**2,069**
Write-offs	**–**	**–**	**(8,709)**	**(8,709)**
Loss allowance as at June 30, 2024	**84,972**	**15,174**	**50,635**	**150,781**

	Year ended December 31, 2023			
Personal loans and advances to customers measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Loss allowance as at January 1, 2023	82,428	6,449	39,726	128,603
Transfers:				
Transfer to stage 1	2,343	(1,135)	(1,208)	–
Transfer to stage 2	(2,789)	2,987	(198)	–
Transfer to stage 3	(6,080)	(2,120)	8,200	–
Changes of ECL arising from transfer of stage	(1,621)	4,310	25,933	28,622
Financial assets derecognized or settled during the year	(37,626)	(2,961)	(11,283)	(51,870)
New financial assets originated or purchased	49,283	–	–	49,283
Remeasurement	(351)	52	1,848	1,549
Write-offs	–	–	(15,985)	(15,985)
Loss allowance as at December 31, 2023	85,587	7,582	47,033	140,202

(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers (continued)

(2) Corporate loans and advances to customers measured at amortized cost

	Six-month period ended June 30, 2024			
Corporate loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2024	**72,653**	**5,109**	**15,684**	**93,446**
Transfers:				
Transfer to stage 1	**475**	**(472)**	**(3)**	**–**
Transfer to stage 2	**(488)**	**551**	**(63)**	**–**
Transfer to stage 3	**(191)**	**(183)**	**374**	**–**
Changes of ECL arising from transfer of stages	**(393)**	**1,576**	**3,156**	**4,339**
Financial assets derecognized or settled during the period	**(4,902)**	**(165)**	**(843)**	**(5,910)**
New financial assets originated or purchased	**10,332**	**–**	**–**	**10,332**
Remeasurement	**(18,110)**	**232**	**687**	**(17,191)**
Write-offs	**–**	**–**	**(1,581)**	**(1,581)**
Loss allowance as at June 30, 2024	**59,376**	**6,648**	**17,411**	**83,435**

	Year ended December 31, 2023			
Corporate loans and advances to customers measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2023	87,483	2,638	13,999	104,120
Transfers:				
Transfer to stage 1	417	(413)	(4)	–
Transfer to stage 2	(1,324)	3,579	(2,255)	–
Transfer to stage 3	(836)	(332)	1,168	–
Changes of ECL arising from transfer of stages	(315)	759	7,086	7,530
Financial assets derecognized or settled during the year	(21,759)	(364)	(1,534)	(23,657)
New financial assets originated or purchased	22,593	–	168	22,761
Remeasurement	(13,606)	(758)	474	(13,890)
Write-offs	–	–	(3,418)	(3,418)
Loss allowance as at December 31, 2023	72,653	5,109	15,684	93,446

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17 Loans and advances to customers (continued)

17.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers (continued)

(3) Loans and advances to customers measured at FVTOCI

Loans and advances to customers measured at FVTOCI	Six-month period ended June 30, 2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2024	**818**	**1**	**–**	**819**
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	**(1)**	**1**	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stage	–	**4**	–	**4**
Financial assets derecognized or settled during the period	**(660)**	**(1)**	–	**(661)**
New financial assets originated or purchased	**586**	–	–	**586**
Remeasurement	**55**	–	–	**55**
Write-offs	–	–	–	–
Loss allowance as at June 30, 2024	**798**	**5**	–	**803**

Loans and advances to customers measured at FVTOCI	Year ended December 31, 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2023	1,253	1	168	1,422
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(1)	1	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stage	–	–	–	–
Financial assets derecognized or settled during the year	(1,253)	(1)	(168)	(1,422)
New financial assets originated or purchased	819	–	–	819
Remeasurement	–	–	–	–
Write-offs	–	–	–	–
Loss allowance as at December 31, 2023	818	1	–	819

(All amounts in millions of RMB unless otherwise stated)

18 Financial investments

18.1 Financial assets measured at fair value through profit or loss

	As at June 30, 2024	As at December 31, 2023
Debt securities		
– Listed outside Hong Kong	**68,948**	72,961
– Unlisted	**1,054**	343
Subtotal	**70,002**	73,304
Interbank certificates of deposits		
– Listed outside Hong Kong	**132,120**	136,949
– Unlisted	**5,746**	2,147
Subtotal	**137,866**	139,096
Asset-backed securities		
– Listed outside Hong Kong	**2,518**	817
Fund investments		
– Unlisted	**731,407**	621,550
Trust investment plans and asset management plans		
– Unlisted	**50,165**	51,164
Wealth management products issued by financial institutions		
– Unlisted	**1,350**	682
Equity instruments		
– Listed outside Hong Kong	**365**	931
– Unlisted	**832**	972
Subtotal	**1,197**	1,903
Total	**994,505**	888,516

The above investments listed outside Hong Kong Special Administrative Region ("SAR") are mainly traded in the Domestic Interbank Bond Market.

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18 Financial investments (continued)

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

Analyzed by types of issuers:	As at June 30, 2024	As at December 31, 2023
Debt securities		
– Government	**9,738**	875
– Financial institutions	**29,586**	47,180
– Corporates	**30,678**	25,249
Subtotal	**70,002**	73,304
Interbank certificates of deposits		
– Financial institutions	**137,866**	139,096
Asset-backed securities		
– Financial institutions	**2,518**	817
Fund investments		
– Financial institutions	**731,407**	621,550
Trust investment plans and asset management plans		
– Financial institutions	**50,165**	51,164
Wealth management products issued by financial institutions		
– Financial institutions	**1,350**	682
Equity instruments		
– Financial institutions	**13**	13
– Corporates	**1,184**	1,890
Subtotal	**1,197**	1,903
Total	**994,505**	888,516

(All amounts in millions of RMB unless otherwise stated)

18 Financial investments (continued)

18.2 Financial assets measured at fair value through other comprehensive income-debt instruments

	As at June 30, 2024	As at December 31, 2023
Debt securities		
– Listed in Hong Kong	**1,720**	1,898
– Listed outside Hong Kong	**513,139**	501,638
– Unlisted	**1,806**	–
Total	**516,665**	503,536

The above debt instruments listed outside Hong Kong SAR are mainly traded in the Domestic Interbank Bond Market.

Analyzed by types of issuers:	As at June 30, 2024	As at December 31, 2023
Debt securities		
– Government	**186,444**	190,648
– Financial institutions	**235,265**	221,615
– Corporates	**94,956**	91,273
Total	**516,665**	503,536

For the six-month period ended June 30, 2024 and the year ended December 31, 2023, there was no change of loss allowance arising from transfer of stages for the Group's financial assets measured at FVTOCI – debt instruments. The main reasons for the movement in the loss allowance are originates or purchases, derecognition or settlement and remeasurement.

As at June 30, 2024, the allowance for impairment loss of the Group's financial assets measured at FVTOCI – debt instruments was RMB1,043 million (December 31, 2023: RMB1,306 million), which mainly represented the loss allowance for the financial assets measured at FVTOCI – debt instruments at stage 1.

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18 Financial investments (continued)

18.3 Financial assets measured at fair value through other comprehensive income-equity instruments

	As at June 30, 2024	As at December 31, 2023
Equity instruments		
– Listed outside Hong Kong	**711**	3,291
– Unlisted	**4,115**	4,035
Total	**4,826**	7,326

Analyzed by types of issuers:	As at June 30, 2024	As at December 31, 2023
Equity instruments		
– Financial institutions	**4,115**	4,035
– Corporates	**711**	3,291
Total	**4,826**	7,326

The Group designates part of non-trading equity investments as financial assets measured at FVTOCI – equity instruments. During the six-month period ended June 30, 2024 and 2023, the Group did not recognize any dividend income for such equity investments.

For the six-month period ended June 30, 2024, the Group disposed part of the equity instruments of RMB2,694 million. A cumulative gain on disposal, net of tax, of RMB966 million has been transferred to retained earnings (For the six-month period ended June 30, 2023, the Group did not dispose of any equity instruments).

(All amounts in millions of RMB unless otherwise stated)

18 Financial investments (continued)

18.4 Financial assets measured at amortized cost

		As at June 30, 2024	As at December 31, 2023
Debt securities			
– Listed in Hong Kong		**40,908**	42,795
– Listed outside Hong Kong		**3,340,621**	3,127,762
– Unlisted	(1)	**328,469**	337,646
Subtotal		**3,709,998**	3,508,203
Interbank certificates of deposits			
– Listed outside Hong Kong		**279,654**	290,715
– Unlisted		**47,737**	57,002
Subtotal		**327,391**	347,717
Asset-backed securities			
– Listed outside Hong Kong		**97,544**	114,271
– Unlisted		**629**	1,035
Subtotal		**98,173**	115,306
Debt financing plans			
– Unlisted		**3,581**	8,945
Other debt instruments			
– Unlisted	(2)	**32,802**	33,965
Gross amount		**4,171,945**	4,014,136
Allowance for impairment loss		**(24,457)**	(25,926)
Carrying amount		**4,147,488**	3,988,210

The above investments listed outside Hong Kong SAR are mainly traded in the Domestic Interbank Bond Market.

(1) Unlisted debt securities included long term special financial bonds issued by China Development Bank and Agricultural Development Bank of China in 2015. As at June 30, 2024, the carrying amount of these special financial bonds was RMB290,713 million, with original maturity of 10 to 20 years (December 31, 2023: RMB307,405 million, with original maturity of 10 to 20 years).

(2) Other debt instruments mainly include trust investment plans and asset management plans, etc.

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18 Financial investments (continued)

18.4 Financial assets measured at amortized cost (continued)

Analyzed by types of issuers:	As at June 30, 2024	As at December 31, 2023
Debt securities		
– Government	**1,537,339**	1,471,521
– Financial institutions	**2,029,838**	1,879,813
– Corporates	**142,821**	156,869
Subtotal	**3,709,998**	3,508,203
Interbank certificates of deposits		
– Financial institutions	**327,391**	347,717
Asset-backed securities		
– Financial institutions	**98,173**	115,306
Debt financing plans		
– Corporates	**3,581**	8,945
Other debt instruments		
– Financial institutions	**32,802**	33,965
Gross amount	**4,171,945**	4,014,136
Allowance for impairment loss	**(24,457)**	(25,926)
Carrying amount	**4,147,488**	3,988,210

(All amounts in millions of RMB unless otherwise stated)

18 Financial investments (continued)

18.4 Financial assets measured at amortized cost (continued)

The following tables illustrate the changes in the gross amount of financial assets measured at amortized cost:

	Six-month period ended June 30, 2024			
Financial assets measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross amount as at January 1, 2024	**3,990,574**	**6,001**	**17,561**	**4,014,136**
Transfers:				
Transfer to stage 1	**–**	**–**	**–**	**–**
Transfer to stage 2	**(156)**	**156**	**–**	**–**
Transfer to stage 3	**–**	**(1,132)**	**1,132**	**–**
Financial assets derecognized or settled during the period	**(427,713)**	**(621)**	**(145)**	**(428,479)**
New financial assets originated or purchased	**586,288**	**–**	**–**	**586,288**
Gross amount as at June 30, 2024	**4,148,993**	**4,404**	**18,548**	**4,171,945**

	Year ended December 31, 2023			
Financial assets measured at amortized cost	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Gross amount as at January 1, 2023	3,669,511	8,095	20,158	3,697,764
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(521)	540	(19)	–
Transfer to stage 3	–	–	–	–
Financial assets derecognized or settled during the year	(803,876)	(2,634)	(681)	(807,191)
New financial assets originated or purchased	1,125,460	–	–	1,125,460
Write-offs	–	–	(1,897)	(1,897)
Gross amount as at December 31, 2023	3,990,574	6,001	17,561	4,014,136

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18 Financial investments (continued)

18.4 Financial assets measured at amortized cost (continued)

The following tables explain the changes in the loss allowance of financial assets measured at amortized cost:

	Six-month period ended June 30, 2024			
Financial assets measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2024	**6,030**	**2,339**	**17,557**	**25,926**
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	**(469)**	**469**	–
Changes of ECL arising from transfer of stage	–	**2**	**601**	**603**
Financial assets derecognized or settled during the period	**(1,392)**	**(140)**	**(85)**	**(1,617)**
New financial assets originated or purchased	**1,042**	–	–	**1,042**
Remeasurement	**(928)**	**(575)**	**4**	**(1,499)**
Exchange rate changes	**2**	–	–	**2**
Loss allowance as at June 30, 2024	**4,754**	**1,157**	**18,546**	**24,457**

	Year ended December 31, 2023			
Financial assets measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2023	4,633	3,424	20,109	28,166
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(48)	67	(19)	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stage	–	1	–	1
Financial assets derecognized or settled during the year	(1,703)	(948)	(679)	(3,330)
New financial assets originated or purchased	3,084	–	–	3,084
Remeasurement	54	(205)	43	(108)
Write-offs	–	–	(1,897)	(1,897)
Exchange rate changes	10	–	–	10
Loss allowance as at December 31, 2023	6,030	2,339	17,557	25,926

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19 Investment in subsidiaries

The entities in consolidation scope are mainly subsidiaries established by the Bank.

The Bank	As at June 30, 2024	As at December 31, 2023
Investment cost	**15,115**	15,115

Name of entities		Place of Incorporation/ registration and operations	Authorized/ paid-in capital RMB	Nature of business	Percentage of equity interest	Proportion of voting rights	Year of establishment
PSBC Consumer Finance Co., Ltd.*	(1)	Guangzhou, Guangdong Province, PRC	3 billion	Consumer finance	70.50%	70.50%	2015
PSBC Wealth Management Co., Ltd.*	(2)	Beijing, PRC	8 billion	Wealth management	100.00%	100.00%	2019
YOU+ BANK Co., Ltd.*	(3)	Shanghai, PRC	5 billion	Direct banking	100.00%	100.00%	2022

* These subsidiaries incorporated in PRC are all limited liability companies.

(1) On November 19, 2015, the Bank, together with other investors, jointly sponsored the establishment of PSBC Consumer Finance Co., Ltd. ("PSBC Consumer Finance"). PSBC Consumer Finance mainly engages in following RMB businesses: granting personal consumer loans; accepting deposits from domestic shareholders and their domestic subsidiaries; borrowing from domestic financial institutions; authorized issuance of financial bonds; placements with/from domestic banks and other financial institutions; consumer financing advisory and agency services; agency sales of consumer loans related insurance products, investments in fixed income securities; asset securitization business and other businesses as approved by the NAFR. As at June 30, 2024, the Bank owned 70.50% in the equity interest and voting rights of PSBC Consumer Finance (December 31, 2023: 70.50%).

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19 Investment in subsidiaries (continued)

(2) On December 3, 2019, the Bank obtained formal approval issued by the former CBIRC (《關於中郵理財有限責任公司開業的批覆》) for the commencement of business operation of PSBC Wealth Management Co., Ltd. ("PSBC Wealth Management"). On December 18, 2019, PSBC Wealth Management was officially incorporated. PSBC Wealth Management mainly engages in following businesses: public issuing wealth management products to unspecified general investors, carrying out investment and management of properties entrusted by investors; non-public issuing wealth management products to eligible investors, carrying out investment and management of assets entrusted by investors; financial advising and consulting services in relation to wealth management; and other businesses as approved by the NAFR. As at June 30, 2024, the Bank owned 100.00% in the equity interest and voting rights of PSBC Wealth Management (December 31, 2023: 100.00%).

(3) On December 16, 2021, the Bank obtained formal approval issued by the former CBIRC (《關於中郵郵惠萬家銀行有限責任公司開業的批覆》) for the commencement of business operation of YOU+ BANK Co., Ltd. ("YOU+ BANK"). On January 7, 2022, YOU+ BANK was officially incorporated. YOU+ BANK mainly engages in following businesses: taking public deposits, mainly from individuals, small and micro enterprises; granting short-term, medium-term and long-term loans to individuals, small and micro enterprises; processing domestic and foreign settlement through electronic channels; processing electronic bill acceptance and discounting; issuance of financial bonds; buying and selling government bonds and financial bonds; conducting interbank placements; purchasing and selling foreign exchange, or acting as an agent thereof; operating bank card business; acting as an agent for receipts and payments and agency insurance business; other businesses as approved by the NAFR. As at June 30, 2024, the Bank owned 100.00% in the equity interest and voting rights of YOU+ BANK (December 31, 2023: 100.00%).

(4) None of the subsidiaries had issued any debt securities at June 30, 2024 and December 31, 2023, respectively.

20 Interests in associates

	As at June 30, 2024	As at December 31, 2023
Investment in an associate	**695**	673

On March 22, 2022, Guomin Pension Insurance Co., Ltd. (hereinafter referred to as "Guomin Pension") was incorporated with registered capital of RMB11.15 billion and the Bank's subsidiary, PSBC Wealth Management owned equity interest of Guomin Pension. The Group holds 5.83% of the equity interest and the voting rights, and could appoint directors and has right to participate in the financial and operational decisions of Guomin Pension. The directors of the Bank conclude that the Group has significant influence over Guomin Pension and therefore it is classified as an associate of the Group.

(All amounts in millions of RMB unless otherwise stated)

21 Property and equipment

	Buildings	Electronic equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at January 1, 2024	67,368	14,633	1,348	4,570	11,081	99,000
Increases	212	100	48	71	4,186	4,617
Transfer from investment properties	24	–	–	–	–	24
Transfer from construction in progress	714	2	–	8	(724)	–
Decreases	(49)	(591)	(22)	(140)	(37)	(839)
As at June 30, 2024	68,269	14,144	1,374	4,509	14,506	102,802
Accumulated depreciation						
As at January 1, 2024	(27,937)	(11,429)	(1,003)	(3,411)	–	(43,780)
Charge for the period	(1,671)	(843)	(76)	(179)	–	(2,769)
Transfer from investment properties	(19)	–	–	–	–	(19)
Disposals	35	580	20	132	–	767
As at June 30, 2024	(29,592)	(11,692)	(1,059)	(3,458)	–	(45,801)
Carrying amount						
As at January 1, 2024	39,431	3,204	345	1,159	11,081	55,220
As at June 30, 2024	38,677	2,452	315	1,051	14,506	57,001

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21 Property and equipment (continued)

	Buildings	Electronic equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at January 1, 2023	60,973	12,100	1,306	4,578	13,088	92,045
Increases	617	497	153	94	8,371	9,732
Transfer from investment properties	5	–	–	–	–	5
Transfer from construction in progress	5,860	2,856	–	165	(8,881)	–
Decreases	(87)	(820)	(111)	(267)	(1,497)	(2,782)
As at December 31, 2023	67,368	14,633	1,348	4,570	11,081	99,000
Accumulated depreciation						
As at January 1, 2023	(24,824)	(9,713)	(973)	(3,263)	–	(38,773)
Charge for the year	(3,169)	(2,492)	(136)	(402)	–	(6,199)
Transfer from investment properties	(3)	–	–	–	–	(3)
Disposals	59	776	106	254	–	1,195
As at December 31, 2023	(27,937)	(11,429)	(1,003)	(3,411)	–	(43,780)
Carrying amount						
As at January 1, 2023	36,149	2,387	333	1,315	13,088	53,272
As at December 31, 2023	39,431	3,204	345	1,159	11,081	55,220

As at June 30, 2024, the Group was still in the process of obtaining ownership certificates of certain properties, with cost amounted to RMB2,137 million (December 31, 2023: RMB2,814 million), while carrying amount was RMB1,515 million (December 31, 2023: RMB2,173 million).

The management of the Group believed the above mentioned properties did not have any material adverse effect on the Group's business operations, operating performance and financial position.

All buildings of the Group were located outside Hong Kong SAR.

(All amounts in millions of RMB unless otherwise stated)

22 Deferred taxes

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The following is the analysis of the deferred tax balances.

	As at June 30, 2024	As at December 31, 2023
Deferred tax assets	**61,842**	62,508
Deferred tax liabilities	**(13)**	(4)
Total	**61,829**	62,504

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for Impairment loss	Staff cost accrued but not paid	Fair value changes of financial instruments	Provisions	Right-of-use assets	Leasing transactions and others	Total
As at January 1, 2024	**62,811**	**3,291**	**(5,500)**	**1,041**	**(2,461)**	**3,322**	**62,504**
Credit/(Charge) to profit or loss	**1,645**	**13**	**(1,761)**	**(36)**	**11**	**(35)**	**(163)**
Credit/(Charge) to other comprehensive income	**70**	**–**	**(582)**	**–**	**–**	**–**	**(512)**
As at June 30, 2024	**64,526**	**3,304**	**(7,843)**	**1,005**	**(2,450)**	**3,287**	**61,829**
As at January 1, 2023	62,214	3,007	(3,689)	1,758	(2,658)	3,312	63,944
Credit/(Charge) to profit or loss	521	284	(1,693)	(717)	197	10	(1,398)
Credit/(Charge) to other comprehensive income	76	–	(118)	–	–	–	(42)
As at December 31, 2023	62,811	3,291	(5,500)	1,041	(2,461)	3,322	62,504

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22 Deferred taxes (continued)

(2) Deferred tax assets and liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at June 30, 2024		As at December 31, 2023	
	Deductible/ (Taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (Taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment loss	**260,467**	**64,526**	253,607	62,811
Staff cost accrued but not paid	**13,224**	**3,304**	13,173	3,291
Provisions	**4,020**	**1,005**	4,163	1,041
Fair value changes of financial instruments	**892**	**223**	1,485	371
Lease liabilities and others	**13,640**	**3,400**	13,794	3,435
Total	**292,243**	**72,458**	286,222	70,949
Deferred tax liabilities				
Fair value changes of financial instruments	**(32,263)**	**(8,066)**	(23,482)	(5,871)
Right-of-use assets and others	**(10,455)**	**(2,563)**	(10,544)	(2,574)
Total	**(42,718)**	**(10,629)**	(34,026)	(8,445)
Net value	**249,525**	**61,829**	252,196	62,504

As at June 30, 2024, the Group has unrecognised tax losses of RMB192 million (December 31, 2023: Nil), which will expire in 2029.

(All amounts in millions of RMB unless otherwise stated)

23 Other assets

		As at June 30, 2024	As at December 31, 2023
Deferred expenses		**24,430**	15,196
Amounts pending for settlement and clearing		**22,695**	7,766
Right-of-use assets	(1)	**11,742**	11,788
Intangible assets	(2)	**6,734**	6,027
Other accounts receivable		**6,382**	3,567
Interest receivable		**5,979**	4,990
Continuing involvement assets (Note 39.3)		**4,450**	4,450
Receivable of fee and commission		**4,027**	3,197
Precious metals		**2,449**	1,716
Prepaid expenses		**1,414**	1,229
Low-value consumables		**338**	527
Foreclosed assets		**98**	111
Investment properties		**–**	5
Others		**9,260**	10,226
Gross amount		**99,998**	70,795
Allowance for impairment loss		**(1,557)**	(1,537)
Net value		**98,441**	69,258

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23 Other assets (continued)

(1) Right-of-use assets

	Properties	Land use rights	Total
Cost			
As at January 1, 2024	**18,968**	**2,613**	**21,581**
Additions	**2,152**	**–**	**2,152**
Disposals	**(2,028)**	**(7)**	**(2,035)**
As at June 30, 2024	**19,092**	**2,606**	**21,698**
Accumulated depreciation/amortization			
As at January 1, 2024	**(8,962)**	**(831)**	**(9,793)**
Provided for the period	**(1,812)**	**(30)**	**(1,842)**
Disposals	**1,674**	**5**	**1,679**
As at June 30, 2024	**(9,100)**	**(856)**	**(9,956)**
Carrying amount			
As at January 1, 2024	**10,006**	**1,782**	**11,788**
As at June 30, 2024	**9,992**	**1,750**	**11,742**

(All amounts in millions of RMB unless otherwise stated)

23 Other assets (continued)

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

	Properties	Land use rights	Total
Cost			
As at January 1, 2023	18,637	2,614	21,251
Additions	3,629	1	3,630
Disposals	(3,298)	(2)	(3,300)
As at December 31, 2023	18,968	2,613	21,581
Accumulated depreciation/amortization			
As at January 1, 2023	(8,005)	(771)	(8,776)
Provided for the year	(3,714)	(60)	(3,774)
Disposals	2,757	–	2,757
As at December 31, 2023	(8,962)	(831)	(9,793)
Carrying amount			
As at January 1, 2023	10,632	1,843	12,475
As at December 31, 2023	10,006	1,782	11,788

(2) Intangible assets of the Group mainly include computer software which is amortized within 10 years.

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24 Borrowings from central bank

	As at June 30, 2024	As at December 31, 2023
Borrowings from central bank	**30,807**	33,835

As at June 30, 2024 and December 31, 2023, borrowings from central bank were special central bank lendings and carbon reduction supporting tools, issued by the PBOC.

25 Deposits from banks and other financial institutions

	As at June 30, 2024	As at December 31, 2023
Deposits from domestic banks	**54,625**	47,087
Deposits from other domestic financial institutions	**67,155**	48,216
Total	**121,780**	95,303

26 Placements from banks and other financial institutions

	As at June 30, 2024	As at December 31, 2023
Placements from domestic banks	**59,324**	59,164
Placements from overseas banks	**2,225**	1,048
Total	**61,549**	60,212

(All amounts in millions of RMB unless otherwise stated)

27 Financial assets sold under repurchase agreements

Analyzed by type of collateral:	As at June 30, 2024	As at December 31, 2023
Debt securities	**71,701**	244,849
Bills	**13,496**	28,515
Total	**85,197**	273,364

The collateral pledged under repurchase agreement is disclosed in "Note 38.2 Contingent liabilities and commitments – Collateral".

28 Customer deposits

	As at June 30, 2024	As at December 31, 2023
Demand deposits		
Personal deposits	**3,030,455**	3,146,947
Corporate deposits	**937,887**	881,226
Subtotal	**3,968,342**	4,028,173
Time deposits		
Personal deposits	**10,184,787**	9,347,909
Corporate deposits	**708,707**	577,211
Subtotal	**10,893,494**	9,925,120
Other deposits	**3,224**	2,670
Total	**14,865,060**	13,955,963

As at June 30, 2024, customer deposits received by the Group included pledged deposits of RMB54,062 million (December 31, 2023: RMB43,330 million).

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29 Debt securities issued

		As at June 30, 2024	As at December 31, 2023
Debt securities issued			
Including: 10-year tier 2 capital bonds at a fixed interest rate (issued in August, 2021)	(1)	**51,467**	50,612
15-year tier 2 capital bonds at a fixed interest rate (issued in August, 2021)	(2)	**10,320**	10,133
10-year tier 2 capital bonds at a fixed interest rate (issued in March, 2022)	(3)	**35,388**	36,009
15-year tier 2 capital bonds at a fixed interest rate (issued in March, 2022)	(4)	**5,058**	5,152
15-year tier 2 capital bonds at a fixed interest rate (issued in May, 2023)	(5)	**20,087**	20,427
Financial securities issued	(6)	**10,072**	10,214
Interbank certificates of deposits issued	(7)	**99**	128,591
Total		**132,491**	261,138

(1) In August 2021, upon the approval from the former CBIRC and the PBOC, the Group issued RMB50 billion of 10-year tier 2 capital bonds at a fixed coupon rate of 3.44%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in August 2026 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the NAFR. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.44% from August 2026 onward.

(2) In August 2021, upon the approval from the former CBIRC and the PBOC, the Group issued RMB10 billion of 15-year tier 2 capital bonds at a fixed coupon rate of 3.75%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in August 2031 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the NAFR. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.75% from August 2031 onward.

29 Debt securities issued (continued)

(3) In March 2022, upon the approval from the former CBIRC and the PBOC, the Group issued RMB35 billion of 10-year tier 2 capital bonds at a fixed coupon rate of 3.54%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2027 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the NAFR. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.54% from March 2027 onward.

(4) In March 2022, upon the approval from the former CBIRC and the PBOC, the Group issued RMB5 billion of 15-year tier 2 capital bonds at a fixed coupon rate of 3.74%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2032 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the NAFR. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.74% from March 2032 onward.

(5) In May 2023, upon the approval from the former CBIRC and the PBOC, the Group issued RMB20 billion of 15-year tier 2 capital bonds at a fixed coupon rate of 3.39%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in May 2033 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the NAFR. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.39% from May 2033 onward.

The above-mentioned tier 2 capital bonds contain a write-down feature, which allows the Group to write down the entire principal of the bonds when a regulatory triggering event occurs as stipulated in the offering documents and not to pay any outstanding interests payable that have been accumulated. These tier 2 capital bonds meet the relevant criteria of the NAFR and are qualified as tier 2 capital instruments.

(6) In March 2023, upon the approval from the former CBIRC and the PBOC, the Group issued RMB5 billion of 3-year green financial bonds at a fixed coupon rate of 2.79%, with interests paid annually, and RMB5 billion of 3-year special bonds for small and micro enterprises loans at a fixed coupon rate of 2.80%, with interests paid annually.

(7) As at June 30, 2024, the total face value of outstanding interbank certificates of deposit amounted to RMB100 million, with fixed coupon rate of 2.60% and an original maturity of 1 year (December 31, 2023: the total face value of outstanding interbank certificates of deposit amounted to RMB129.24 billion, with fixed coupon rate of 1.93%-2.63% and an original maturity of 1 month to 1 year).

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30 Other liabilities

		As at June 30, 2024	As at December 31, 2023
Dividends payable		**25,881**	–
Employee benefits payable	(1)	**21,090**	23,431
Payables for agency services		**11,159**	13,819
Provisions	(2)	**9,601**	8,930
Lease liabilities	(3)	**9,448**	9,268
Continuing involved liabilities (Note 39.3)		**4,450**	4,450
Amount pending for settlement and clearing		**4,447**	4,140
VAT and other taxes payable		**4,158**	4,088
Dormant accounts		**2,671**	2,027
Contract liabilities		**2,051**	1,790
Payable for construction cost		**959**	964
Exchange transaction payables		**717**	756
Payables to China Post Group and other related parties (Note 36.3.1(4))		**246**	2,077
Others		**8,581**	10,782
Total		**105,459**	86,522

(1) Employee benefits payable

		Six-month period ended June 30, 2024			
		Balance at the beginning of the period	Increase in current period	Decrease in current period	Balance at at the end of the period
Wages and salaries, bonus, allowance and subsidies		20,654	18,140	(21,296)	17,498
Staff welfare		88	1,117	(1,203)	2
Social security contributions		240	1,874	(1,840)	274
Including: Medical insurance		237	1,795	(1,761)	271
Maternity insurance		2	34	(34)	2
Work injury insurance		1	45	(45)	1
Housing funds		25	2,333	(2,330)	28
Labour union funds and employee education funds		1,327	524	(493)	1,358
Defined contribution benefits		447	4,548	(3,730)	1,265
Including: Basic pensions		91	2,821	(2,818)	94
Unemployment insurance		3	100	(99)	4
Annuity scheme		353	1,627	(813)	1,167
Supplementary retirement benefits and early retirement benefits	(i)	650	31	(16)	665
Others		–	19	(19)	–
Total		23,431	28,586	(30,927)	21,090

(All amounts in millions of RMB unless otherwise stated)

30 Other liabilities (continued)

(1) Employee benefits payable (continued)

		Year ended December 31, 2023			
		Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at at the end of the year
Wages and salaries, bonus, allowance and subsidies		19,928	43,737	(43,011)	20,654
Staff welfare		74	3,012	(2,998)	88
Social security contributions		222	3,601	(3,583)	240
Including: Medical insurance		219	3,449	(3,431)	237
Maternity insurance		2	66	(66)	2
Work injury insurance		1	86	(86)	1
Housing funds		25	4,526	(4,526)	25
Labour union funds and employee education funds		1,281	1,551	(1,505)	1,327
Defined contribution benefits		669	8,516	(8,738)	447
Including: Basic pensions		116	5,356	(5,381)	91
Unemployment insurance		5	145	(147)	3
Annuity scheme		548	3,015	(3,210)	353
Supplementary retirement benefits and early retirement benefits	(i)	661	21	(32)	650
Others		–	28	(28)	–
Total		22,860	64,992	(64,421)	23,431

(i) Supplementary retirement benefits and early retirement benefits

The retirement benefit obligations of the Group refer to supplementary benefits for retirees and early-retirees recognized in the condensed consolidated statement of financial position using the projected unit credit method as follows:

	Six-month period ended June 30, 2024	Year ended December 31, 2023
Balance at the beginning of the period/year	**650**	661
Interest expenses	**9**	19
Gain or loss from actuarial calculation	**22**	2
– Recognised in profit or loss	**–**	(10)
– Recognised in other comprehensive income	**22**	12
Benefits paid	**(16)**	(32)
Balance at the end of the period/year	**665**	650

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30 Other liabilities (continued)

(1) Employee benefits payable (continued)

(i) Supplementary retirement benefits and early retirement benefits (continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at June 30, 2024	As at December 31, 2023
Discount rate used for retirement benefit plan	**2.50%**	2.75%
Discount rate used for early retirement benefit plan	**2.00%**	2.25%
Annual growth rates of average medical expenses	**8.00%**	8.00%
Annual growth rates of retiree expenses	**3% and 0%**	3% and 0%
Annual growth rates of early-retiree expenses	**6%, 3% and 0%**	6%, 3% and 0%
Normal retirement age		
– Male	**60**	60
– Female	**55, 50**	55, 50

As at June 30, 2024 and December 31, 2023, the future mortality rate assumption was based on the China Life Insurance Mortality Table (2010-2013) issued on December 28, 2016, which was the statistical information publicly available in China.

(2) Provisions

		January 1, 2024	Current period accrual	Current period payment	June 30, 2024
ECL provisions on guarantee and commitments	(i)	**4,767**	**814**	**–**	**5,581**
Litigation and others	(ii)	**4,163**	**1**	**(144)**	**4,020**
Total		**8,930**	**815**	**(144)**	**9,601**

		January 1, 2023	Current year (reversal)/ accrual	Current year payment	Current year exchange rate changes	December 31, 2023
ECL provisions on guarantee and commitments	(i)	6,633	(1,870)	–	4	4,767
Litigation and others	(ii)	7,031	10	(2,878)	–	4,163
Total		13,664	(1,860)	(2,878)	4	8,930

(All amounts in millions of RMB unless otherwise stated)

30 Other liabilities (continued)

(2) Provisions (continued)

(i) ECL provisions on guarantee and commitments

	As at June 30, 2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Provisions as at June 30, 2024	**5,459**	**122**	**–**	**5,581**

	As at December 31, 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Provisions as at December 31, 2023	4,728	39	–	4,767

(ii) As at June 30, 2024 and December 31, 2023, the Group established accruals for unsettled litigations according to the best estimation for a variety of risk events and outflow of economic benefits.

(3) Lease liabilities

Analyzed by residual maturity:	As at June 30, 2024	As at December 31, 2023
Within 1 month	**402**	243
1 to 3 months	**628**	482
3 to 12 months	**2,123**	2,331
1 to 2 years	**2,493**	2,453
2 to 5 years	**3,259**	3,026
Over 5 years	**1,583**	1,561
Contractual undiscounted cash flows of lease liabilities	**10,488**	10,096
Carrying amount of lease liabilities	**9,448**	9,268

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31 Share capital and other equity instruments

31.1 Share capital

	As at June 30, 2024		As at December 31, 2023	
	Number of shares (million shares)	Face value	Number of shares (million shares)	Face value
Domestically listed (A shares)	**79,305**	**79,305**	79,305	79,305
Listed overseas (H shares)	**19,856**	**19,856**	19,856	19,856
Total	**99,161**	**99,161**	99,161	99,161

A shares refer to ordinary shares that are subscribed and traded in RMB, and H shares are shares that are approved to be listed in Hong Kong and denominated in RMB, but subscribed and traded in Hong Kong dollars. All H shares and A shares issued by the Bank are ordinary shares with a face value of RMB1.00 per share and enjoy equal rights.

On December 23, 2011, in accordance with the Approval by the MOF on the *State-owned Equity Management Plan of Postal Savings Bank Co., Ltd. (Cai Jin [2011] No. 181)*, China Post Group was the exclusive promoter of the Bank. 45 billion promoter's shares were established and paid-in capital of the Bank amounted to RMB45 billion. In December 2013 and December 2014, China Post Group increased the capital of the Bank by RMB2 billion and RMB10 billion respectively.

On December 8, 2015, in accordance with the Approval of the former CBIRC on Capital Increase and the Introduction of Strategic Investors by the Postal Savings Bank of China, the former CBIRC agreed the Bank's non-public offering of no more than 11,604 million shares to 10 institutional investors, including UBS Limited, China Life Insurance Company Ltd., China Telecommunications Corporation, Canada Pension Fund Investment Corporation, Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., JPMorgan Bank China Investment Second Investment, Futun Management, International Finance Corporation, DBS Bank Co., Ltd. and Shenzhen Tencent Domain Calculator Network (hereinafter referred to as "Strategic Investors"). After the capital increase, the Bank's total shares increased to 68,604 million.

On September 28, 2016, the Bank was listed on The Stock Exchange of Hong Kong Limited. In the same year, the over-allotment option was exercised and the total shares of the Bank increased to 81,031 million.

31 Share capital and other equity instruments (continued)

31.1 Share capital (continued)

Approved by the former CBIRC through *the Initial Public Offering of A Shares by the Postal Savings Bank of China Co., Ltd and amendment of the Articles of Association (Yinbaojianfu [2019] No. 565)* (《關於郵儲銀行首次公開發行A股股票並上市和修改公司章程的批覆》(銀保監覆[2019]565號)) and approved by the China Securities Regulatory Commission through the *Approval of Postal Savings Bank of China Co., Ltd.'s Initial Public Offering (CSRC License [2019] No. 1991)* (《關於核准中國郵政儲蓄銀行股份有限公司首次公開發行股票的批覆》(證監許可[2019]1991號文)). The Bank completed the initial public offering of 5,172 million A shares (excluding over-allotment) in December 2019. The face value of A shares was RMB1.00 per share, and the issue price was RMB5.50 per share. The net proceeds raised were RMB28,001 million, of which the share capital was RMB5,172 million and the capital reserve was RMB22,829 million. After initial public offering of A shares, the total shares of the Bank increased to 86,203 million.

The joint lead underwriters exercised the over-allotment option in January 2020. The over-allotment issued 776 million A shares at a face value of RMB1.00 and the issue price was RMB5.50 per share. The net proceeds raised were RMB4,205 million, of which the share capital was RMB776 million and the capital reserve was RMB3,429 million. After execution of the over-allotment, the total shares of the Bank increased to 86,979 million.

The Bank completed the private offering of 5,405 million of A shares in March 2021 to its controlling shareholders. The face value of A shares was RMB1.00, and the issue price was RMB5.55 per share. The net proceeds raised were RMB29,985 million, of which the share capital was RMB5,405 million and capital reserve was of RMB24,580 million. After the private offering of A shares, the total shares of the Bank increased to 92,384 million.

The Bank completed the private offerings of 6,777 million of A shares in March 2023 to China Mobile Communications Group Co., Ltd. The face value of A shares was RMB1.00, and the issue price was RMB6.64 per share. The net proceeds raised were RMB44,980 million, of which the share capital was RMB6,777 million and capital reserve was of RMB38,203 million. After the private offering of A shares, the total shares of the Bank increased to 99,161 million.

As at June 30, 2024, the total number of ordinary shares of the Bank was 99,161 million, of which 12,182 million shares were restricted for sales and 86,979 million shares were unrestricted shares (December 31, 2023: the total number of ordinary shares was 99,161 million, of which 12,182 million shares were restricted for sales and 86,979 million shares were unrestricted shares).

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31 Share capital and other equity instruments (continued)

31.2 Other equity instruments

(1) Perpetual bonds outstanding as at the end of the period

Outstanding financial instruments	Issue date	Classification	Initial interest rate	Issue price (RMB Yuan per unit)	Quantity (million)	Currency	Amount (million)	Maturity date	Redemption/ impairment
Undated additional tier 1 capital bonds	March 16, 2020	Equity instrument	3.69%	100	800	RMB	80,000	No maturity date	No
Undated additional tier 1 capital bonds	March 19, 2021	Equity instrument	4.42%	100	300	RMB	30,000	No maturity date	No
Undated additional tier 1 capital bonds	January 14, 2022	Equity instrument	3.46%	100	300	RMB	30,000	No maturity date	No
Undated additional tier 1 capital bonds	October 13, 2023	Equity instrument	3.42%	100	300	RMB	30,000	No maturity date	No
Undated additional tier 1 capital bonds	March 14, 2024	Equity instrument	2.73%	100	300	RMB	30,000	No maturity date	No
Total proceeds raised							200,000		

The carrying amount of perpetual bonds issued by the Bank, net of related issuance fees, was RMB199,986 million as at June 30, 2024 (December 31, 2023: RMB169,986 million).

31 Share capital and other equity instruments (continued)

31.2 Other equity instruments (continued)

(1) Perpetual bonds outstanding as at the end of the period (continued)

The key terms are set out below:

(a) Conditional redemption rights

From the fifth anniversary since the issuance of the undated additional tier 1 capital bonds (the "Bonds"), the Bank may redeem full or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). After the issuance, if the event that the Bonds no longer qualify as additional tier 1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the full but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the NAFR and the satisfaction of the following preconditions: (1) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements of the NAFR.

(b) Subordination

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

(c) Write-down/write-off clauses

Upon the occurrence of a non-viability trigger event, the Bank has the right to write down/write off in full or in part, without the need for consent from the holders of the Bonds, the principal amount of the Bonds. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical trigger event. A non-viability trigger event refers to the earlier of the following events: (1) the NAFR having decided that the Bank would become non-viable without a write-down/write-off; (2) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. The write-down/write-off will not be restored.

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31 Share capital and other equity instruments (continued)

31.2 Other equity instruments (continued)

(1) Perpetual bonds outstanding as at the end of the period (continued)

The key terms are set out below: (continued)

(c) Write-down/write-off clauses (continued)

The trigger event occurrence date refers to the date on which the NAFR or the relevant authority has decided a trigger event occurs, and has informed the Bank together with a public announcement of such trigger event.

Within two business days after the occurrence of the trigger event, the Bank shall make a public announcement and give notice to the holders of the Bonds on the amount, the calculation method thereof, together with the implementation date and procedures, of such write-down/write-off.

(d) Distribution rate

The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate at the time of issuance will be determined by bookkeeping and centralized allocation. The distribution rate is determined by a benchmark rate plus a fixed spread.

(e) Distribution payment

The Bank shall have the right to cancel, in full or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds regardless in full or in part, will not impose any restrictions on the Bank, except in relation to dividend distributions on ordinary shares. Any cancellation of distributions on the Bonds regardless in full or in part, will require the deliberation by and approval from the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the event a distribution cancellation of the Bonds, regardless in full or in part, the Bank shall not make any distribution to the ordinary shareholders from the next date following the resolution being approved in the general shareholders meeting, until its decision to resume the distribution payments in full to the holders of the Bonds. The dividend stopper on ordinary shares will not compromise the Bank's discretion to cancel distributions, and will not impede the Bank from replenishing its capital.

Distributions on the Bonds shall only be paid out of distributable items, and will not be affected by the rating of the Bank, nor reset based on any change to such rating. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The Bonds do not have any step-up mechanism or any other incentive to redeem.

(All amounts in millions of RMB unless otherwise stated)

31 Share capital and other equity instruments (continued)

31.2 Other equity instruments (continued)

(2) Changes in outstanding perpetual bonds

Outstanding financial Instruments	January 1, 2024		Increase in current period		June 30, 2024	
	Units of the Bonds (million)	Proceeds Raised (RMB million)	Units of the Bonds (million)	Proceeds Raised (RMB million)	Units of the Bonds (million)	Proceeds Raised (RMB million)
Undated additional tier 1 capital bonds	1,700	170,000	300	30,000	**2,000**	**200,000**

(3) Equity attributable to the holders of equity instruments

Items	As at June 30, 2024	As at December 31, 2023
1. Total equity attributable to equity holders of the Bank	**1,004,986**	954,873
(1) Equity attributable to ordinary shareholders of the Bank	**805,000**	784,887
(2) Equity attributable to other equity holders of the Bank	**199,986**	169,986
Including: Net profit	**5,316**	5,316
Dividends/interests distributed	**(5,316)**	(5,316)
2. Total equity attributable to non-controlling interests	**1,813**	1,743
(1) Equity attributable to non-controlling interests of ordinary shares	**1,813**	1,743
(2) Equity attributable to non-controlling interests of other equity instruments	**–**	–

32 Capital reserve

	As at June 30, 2024	As at December 31, 2023
Net asset revaluation appreciation from the Bank's joint stock restructuring	**3,448**	3,448
Share premium arising from strategic investors	**33,536**	33,536
Share premium arising from the Bank's initial public offering of H shares	**37,675**	37,675
Change of equity interest in a subsidiary	**(11)**	(11)
Share premium arising from the Bank's initial public offering of A shares (Note 31.1)	**26,258**	26,258
Share premium arising from the Bank's private offering of A shares (Note 31.1)	**62,783**	62,783
Other capital reserve	**(1,010)**	(1,007)
Total	**162,679**	162,682

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33 Other reserves

33.1 Surplus reserve

In accordance with The *Company Law of the People's Republic of China* (中華人民共和國公司法), and the Bank's Articles of Association, the Bank shall appropriate 10% of its net profit under Accounting Standards for Business Enterprises and relevant requirements for the current year to the statutory surplus reserve, and can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital of the Bank.

33.2 General reserve

	Six-month period ended June 30, 2024	Year ended December 31, 2023
At the beginning of the period/year	**201,696**	178,784
Appropriations in current period/year	**100**	22,912
At the end of the period/year	**201,796**	201,696

In accordance with the *Administrative Measures for Provisioning of Financial Enterprises* (金融企業準備金計提管理辦法) (Cai Jin [2012] No. 20) issued by the MOF, the Bank shall appropriate general reserve from its net profit for the purpose to recover any unidentified potential losses. The balance of general reserve shall be no less than 1.5% of risk assets at the end of each year.

Pursuant to the relevant regulatory requirements in Chinese Mainland, the Bank's subsidiaries also appropriate a certain amount of net profit as general reserve.

(All amounts in millions of RMB unless otherwise stated)

33 Other reserves (continued)

33.3 Other comprehensive (expense)/income

(1) Other comprehensive income attributable to equity holders of the Bank in the condensed consolidated statement of financial position

	Remeasurement of retirement benefit obligations	Net gains on investments in financial assets measured at FVTOCI	Share of other comprehensive income of associates, net of income tax	Total
January 1, 2023	(286)	5,204	–	4,918
Movement during the year	(12)	126	2	116
December 31, 2023 and January 1, 2024	(298)	5,330	2	5,034
Movement during the period	**(22)**	**1,537**	**17**	**1,532**
June 30, 2024	**(320)**	**6,867**	**19**	**6,566**

(2) Other comprehensive (expense)/income in the condensed consolidated statement of profit or loss and other comprehensive income

	Six-month period ended June 30	
	2024	**2023**
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement benefit obligations	**(22)**	(22)
Changes in fair value of equity instruments designated as at FVTOCI	**193**	(800)
Share of other comprehensive income of associates, net of related income tax	**17**	–
Less: Income tax effect	**48**	(200)
Item that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at FVTOCI	**3,769**	2,487
Less: Amount transferred to profit or loss from other comprehensive income	**346**	(27)
Income tax effect	**856**	629
Credit losses of debt instruments measured at FVTOCI	**518**	(89)
Less: Amount transferred to profit or loss from other comprehensive income	**797**	63
Income tax effect	**(70)**	(38)
Net amount	**2,498**	1,149

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34 Dividends and interests distribution

Upon the approval obtained in the 2023 Annual General Meeting, the Bank distributed RMB25,881 million (tax inclusive) of cash dividends for the year ended December 31, 2023 to all the ordinary shareholders whose names appeared on the register with RMB2.610 per ten shares (tax inclusive). The Bank distributed the A shares cash dividends on July 11, 2024 and the H shares cash dividends on August 8, 2024 respectively.

Upon the approval obtained in the 2022 Annual General Meeting, the Bank distributed RMB25,574 million (tax inclusive) of cash dividends for the year ended December 31, 2022 to all the ordinary shareholders whose names appeared on the register with RMB2.579 per ten shares (tax inclusive). The Bank distributed the A shares cash dividends on July 13, 2023 and the H shares cash dividends on August 10, 2023 respectively.

In Jan 2024, the Bank paid RMB1,038 million interests to holders of perpetual bonds issued in the year 2022, the interest rate of which equalled to 3.46%. In March 2024, the Bank paid RMB4,278 million interests to holders of perpetual bonds issued in the year 2020 and 2021, the interest rates of which equalled to 3.69% and 4.42%, respectively. The interests were calculated by the initial interest rates before the first reset date which were determined in accordance with the terms and conditions of the perpetual bonds.

In Jan 2023, the Bank paid RMB1,038 million interests to holders of perpetual bonds issued in the year 2022, the interest rate of which equalled to 3.46%. In March 2023, the Bank paid RMB4,278 million interests to holders of perpetual bonds issued in the year 2020 and 2021, the interest rates of which equalled to 3.69% and 4.42%, respectively. The interests were calculated by the initial interest rates before the first reset date which were determined in accordance with the terms and conditions of the perpetual bonds.

(All amounts in millions of RMB unless otherwise stated)

35 Cash and cash equivalents

For the purpose of presentation of the condensed consolidated cash flow statements, cash and cash equivalents include the following balances with an original maturity within 3 months:

	As at June 30, 2024	As at June 30, 2023
Cash	**42,677**	46,273
Surplus reserve with central bank	**12,484**	12,021
Deposits with banks and other financial institutions	**9,453**	9,012
Placements with banks and other financial institutions	**22,778**	7,039
Financial assets held under resale agreements	**186,164**	306,847
Short-term debt securities	**4,076**	29,067
Total	**277,632**	410,259

36 Relationship and transactions with related parties

36.1 Information of the parent company

	Place of registration	Nature of business
China Post Group	Beijing, PRC	Domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with laws and regulations, confidential correspondence, postal financial business, emerging business such as postal logistics and e-mail, e-commerce, agency business and other businesses as stipulated by the government.

China Post Group is managed and supervised by the MOF on behalf of the State Council.

As at June 30, 2024 and December 31, 2023, the registered capital of China Post Group were RMB137,600 million.

As at June 30, 2024 and December 31, China Post Group directly held 62.78% of both the equity shares and voting rights in the Bank.

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36 Relationship and transactions with related parties (continued)

36.2 Information of major related parties

Name of enterprises	Relationship with the Bank
Shanghai International Port (Group) Co., Ltd.	Major shareholder of the Bank
China State Shipbuilding Corporation Limited	Major shareholder of the Bank
China Mobile Communications Group Co., Ltd.	Major shareholder of the Bank
China Postal Express & Logistics Co., Ltd.	Company under the common control of China Post Group
China Post Life Insurance Co., Ltd.	Company under the common control of China Post Group
China Post Securities Co., Ltd.	Company under the common control of China Post Group
Shanghai Ule Network Technology Co., Ltd.	Company under the common control of China Post Group
China Post Technology Co., Ltd.	Company under the common control of China Post Group
Ningxia China Post Logistics Co., Ltd.	Company under the common control of China Post Group
Jiangsu Post and Telecommunication Printing Co., Ltd.	Company under the common control of China Post Group
China Post & Capital Fund Management Co., Ltd.	An associate of China Post Group
Mulei Tongyuan Hongshen New Energy Development Co., Ltd.	Related party arising from the major shareholder of the Bank
China Tower Corporation Limited	Related party arising from the major shareholder of the Bank
China UnionPay Co., Ltd.	Related party arising from connected persons of the Bank
Overseas Chinese Town Group Co., Ltd.	Related party arising from connected persons of the Bank
Xinjiang Culture&Tourism Investment Group Co., Ltd.	Related party arising from connected persons of the Bank

The Group's connected person include the Bank's directors, supervisors, senior executives and their direct relatives, as well as the Bank's controlling shareholders' directors, supervisors, senior executives and their direct relatives and other connected persons. The Group's other related parties include other related parties of China Post Group, other related parties of major shareholders of the Bank and other related parties arising from connected persons.

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions

For transactions between the Group and related parties in accordance with general commercial terms during normal business operations, the pricing principle is the same as that of independent third party transactions. For transactions other than normal banking business between the Group and related parties, the pricing principle shall be determined by both parties through negotiation in accordance with general commercial terms.

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates

(1) Agency banking services from China Post Group

In addition to conducting commercial banking services at its owned business locations, the Bank also engages China Post Group and its provincial branches as agents to provide certain commercial banking services at China Post Group's business locations where financial service licenses have been obtained. These commercial banking services mainly include: deposits taking; bank card (debit card) services, credit cards repayment processing services; electronic banking business, agency issuance, underwriting and redemption of government bonds; certification of personal deposits; agency sales of fund products and personal wealth management products, and other agency services.

In accordance with *the Interim Administrative Measures for Institutional Agency of Postal Savings Bank of China Co., Ltd* (中國郵政儲蓄銀行代理營業機構管理暫行辦法) issued by the former CBIRC, all agency operations were provided by China Post Group under bases of fees determined in accordance with *the Framework Agreement on Entrusted and Agency Banking Services of Agency Outlets* (代理營業機構委託代理銀行業務框架協議, the "Framework Agreement") entered into between the Bank and China Post Group and its provincial branches.

For RMB deposit-taking services, the basis is computed based on the principle of "Fixed Rate, Scaled Fees Based on Deposit Types (固定費率、分檔計費)", i.e. different deposit agency fee rates are applicable to savings deposits with different maturities. The formula of calculating the scaled fees is as follows:

Monthly deposit agency fee costs at the relevant branch = Σ (aggregate amount of deposit for each type of deposit at the branch for the month multiplied by the number of days of deposit × the respective deposit agency fee rate of the relevant type of deposit/365) - aggregate cash (including that in transit) multiplied by the number of days at the relevant branch for the month × 1.5%/365.

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36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(1) Agency banking services from China Post Group (continued)

The Bank pays deposit agency fee for agency RMB savings deposits received, net of cash reserves held by agency outlets and deposits in transit. The agency fee rates range from 0.00% to 2.33% since November 1, 2022.

To effectively manage the interest expenses and maintain a stable growth in the deposit scale, the Bank has established relevant mechanisms to boost the deposit-taking, including the arrangements of cost sharing for floating interest rates of deposits as well as incentives for deposit-taking. The Bank and China Post Group have agreed that the amount of deposit incentive shall not be higher than the payment by China Post Group under the cost sharing mechanism for floating interest rates of deposits in any circumstances.

The agency foreign currency deposit-taking business is insignificant, as such the Bank and China Post Group apply market rates such as the composite interest rate of the China Interbank Foreign Currency Market to determine the agency fee.

For intermediary business services performed by agency outlets such as settlement and sales services, the agency fees are determined based on the income from agency services net of all direct taxes and expenses.

		Six-month period ended June 30	
		2024	**2023**
Deposit agency fee and others	(i)	**60,859**	56,076
Fees for agency sales and other commissions	(ii)	**3,851**	10,754
Fees for agency savings settlement		**3,160**	3,461
Total		**67,870**	70,291

(i) For the six-month period ended June 30, 2024, deposit agency fee (including RMB and foreign currency deposit-taking business) cost amounted to RMB62,861 million (for the six-month period ended June 30, 2023: RMB56,403 million). The offsetting settlement amount of the Bank's relevant mechanisms to boost deposit increase was RMB-2,002 million (for the six-month period ended June 30, 2023: RMB-327 million). According to the netting arrangement between the Bank and China Post Group, deposit agency fee and other are settled and disclosed on a net basis.

(ii) Fees for agency sales and other commissions include agency income generated from sales of insurance products of China Post Life Insurance Co., Ltd. ("China Post Insurance") by agency outlets. The Bank firstly recognizes relevant fee and commission income (Note 4) in the condensed consolidated statement of profit or loss and other comprehensive income, and the same amount of the fee and commission will be payable by the Bank to China Post Group following the principle of "fee payable to the entity providing the service (誰辦理誰受益)". The remaining agency income generated from sales for other insurance companies are settled with the Bank or directly with China Post Group according to the contract.

(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(2) Operating lease with China Post Group and its related parties

(a) Lease buildings, ancillary equipment and other properties

As lessor	Six-month period ended June 30 2024	2023
Buildings and other	**24**	27

As lessee	Six-month period ended June 30 2024	2023
Buildings and other	**452**	418

(b) Right-of-use assets and lease liabilities recognized by accepting leases provided by China Post Group and its subsidiaries

	As at June 30, 2024	As at December 31, 2023
Right-of-use assets	**917**	819
Lease liabilities	**823**	760

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36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(3) Other comprehensive services and transactions with China Post Group and its related parties

(a) Revenue from rendering other comprehensive services to China Post Group and its related parties

		Six-month period ended June 30	
		2024	**2023**
Agency sales of insurance products	(i)	**505**	2,476
Comprehensive services rendered	(ii)	**67**	48
General office materials sold		**12**	23
Agency sales of precious metals		**8**	10
Total		**592**	2,557

(i) Agency sales of insurance products are income generated from agency service for China Post Insurance by directly-operated outlets of the Bank.

(ii) Comprehensive services rendered to China Post Group and its related parties include custody business, cash escort, equipment maintenance and other services.

(b) Expenditure from receiving other comprehensive services from China Post Group and its related parties

		Six-month period ended June 30	
		2024	**2023**
Comprehensive services received	(i)	**456**	480
Marketing services received		**577**	447
Goods purchased		**157**	205
Philatelic items purchased and mailing services received		**49**	37
Payment of precious metals		**21**	9
Total		**1,260**	1,178

(i) Comprehensive services received from China Post Group and its related parties include cash escort, equipment maintenance, advertisement, real estate management, training and other services.

(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(4) Other transactions with China Post Group and its related parties

Balances		As at June 30, 2024	As at December 31, 2023
Assets			
Loans and advances to customers	(i)	**32**	801
Financial assets measured at FVTPL	(ii)	**628**	–
Financial assets measured at FVTOCI – debt instruments	(iii)	**91**	93
Financial assets measured at amortized cost	(iii)	**531**	201
Other assets	(iv)	**1,249**	162
Liabilities			
Deposits from banks and other financial institutions	(i)	**2,499**	1,986
Customer deposits	(v)	**37,329**	10,514
Other liabilities (Note 30)		**246**	2,077

	Six-month period ended June 30	
Transactions	2024	2023
Interest income	**3**	42
Interest expense	**97**	126
Fee and commission income	**16**	30
Fee and commission expense	**6**	7
Net trading gains	**4**	–

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36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(4) Other transactions with China Post Group and its related parties (continued)

(i) As at June 30, 2024, loans and advances to customers and deposits from banks and other financial institutions were mainly the balance of transactions with companies under the common control of China Post Group (December 31, 2023: loans and advances to customers were mainly with China Post Group, and deposits from banks and other financial institutions were mainly with companies under the common control of China Post Group).

(ii) As at June 30, 2024, financial assets measured at FVTPL were the balance of transactions with China Post Group and China Post Securities Co., Ltd. (December 31, 2023: Nil).

(iii) As at June 30, 2024, financial assets measured at amortized cost were mainly the balance of transactions with China Post Group and China Post Securities Co., Ltd., and debt instruments measured at FVTOCI were mainly with China Post Securities Co., Ltd. (December 31, 2023: financial assets measured at amortized cost and debt instruments measured at FVTOCI were mainly with China Post Securities Co., Ltd.).

(iv) As at June 30, 2024 and December 31, 2023, other assets were mainly the balance of transactions with China Post Group and China Post Insurance.

(v) As at June 30, 2024, RMB34,088 million of customer deposits were mainly the balance of transactions with China Post Group (December 31, 2023: RMB4,514 million) while RMB3,241 million of customer deposits were mainly with associate and companies under the common control of China Post Group (December 31, 2023: RMB6,000 million). The interest rates of such customer deposits range from 0.20% to 2.025% as at June 30, 2024 (December 31, 2023: 0.20% to 2.025%).

(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.2 Transactions with major shareholders of the Bank and their related parties

Balances		As at June 30, 2024	As at December 31, 2023
Assets			
Loans and advances to customers	(i)	**845**	1,262
Financial assets measured at FVTPL	(ii)	**226**	–
Other assets		**11**	2
Liabilities			
Customer deposits		**3,772**	3,086
Deposits from banks and other financial institutions		**1**	–
Other liabilities		**29**	48

Transactions	Six-month period ended June 30	
	2024	2023
Interest income	**11**	20
Interest expense	**32**	32
Fee and commission income	**55**	4
Fee and commission expense	**28**	11
Net trading gains	**6**	–
Operating expenses	**362**	123

(i) As at June 30, 2024, loans and advances to customers were mainly the balance of transactions with Mulei Tongyuan Hongshen New Energy Development Co., Ltd. and China Tower Corporation Limited (December 31, 2023: mainly with Mulei Tongyuan Hongshen New Energy Development Co., Ltd., Xianghuangqi Shengshi Xinyuan Wind Power Co., Ltd. and Yichang Zhongnan Precision Steel Tube Co.).

(ii) As at June 30, 2024, financial assets measured at FVTPL were mainly the balance of transactions with China Tower Corporation Limited (December 31, 2023: Nil).

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36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.3 Transactions with related parties arising from the connected persons of the Bank

Balances		As at June 30, 2024	As at December 31, 2023
Assets			
Loans and advances to customers	(i)	**4,524**	4,555
Financial assets measured at FVTOCI-equity instruments	(ii)	**530**	530
Financial assets measured at amortized cost	(iii)	**633**	499
Other assets		**34**	27
Liabilities			
Customer deposits	(iv)	**7,179**	4,975
Other liabilities		**–**	8

		Six-month period ended June 30	
Transactions		2024	2023
Interest income		**90**	89
Interest expense		**79**	61
Fee and commission income	(v)	**1,834**	2,422
Fee and commission expense	(v)	**596**	656
Operating expenses		**23**	40

(i) As at June 30, 2024, loans and advances to customers were mainly the balance of transactions with Overseas Chinese Town Group Co., Ltd. and Xinjiang Culture&Tourism Investment Group Co., Ltd. (December 31, 2023: mainly with Overseas Chinese Town Group Co. Ltd.).

(ii) As at June 30, 2024 and December 31, 2023, financial assets measured at FVTOCI-equity instruments were mainly the balance of transactions with China UnionPay Co., Ltd.

(iii) As at June 30, 2024 and December 31, 2023, financial assets measured at amortized cost were mainly the balance of transactions with Overseas Chinese Town Group Co., Ltd.

(iv) As at June 30, 2024 and December 31, 2023, customer deposits were mainly the balance of transactions with China UnionPay Co., Ltd.

(v) The net fee and commission income was mainly arising from the settlement and clearing with China UnionPay Co., Ltd. during the six-month period ended June 30, 2024 and 2023.

(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.4 Transactions with connected persons of the Bank

Balances	As at June 30, 2024	As at December 31, 2023
Asset		
Loans and advances to customers	**70**	89
Liability		
Customer deposits	**194**	207

Transactions	Six-month period ended June 30	
	2024	2023
Interest income	**1**	1
Interest expense	**1**	1

36.3.5 The Group and other government related entities

Other than related party transactions disclosed above and also in other relevant notes, a significant part of the Group's banking transactions are entered into with government authorities, agencies, subsidiaries and other entities under control of state. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative product transactions, agency services, underwriting and distribution of bonds issued by government authorities, purchase, sales and redemption of securities issued by government authorities.

The Group considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, subsidiaries and other entities under control of state.

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36 Relationship and transactions with related parties (continued)

36.4 Key management personnel compensation

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

	Six-month period ended June 30	
	2024	2023
Key management personnel compensation	**4**	4

Part of the remuneration for key management personnel for the six-month period ended June 30, 2024 and 2023 is subject to strategic performance assessment and has not yet been paid.

37 Structured entities

37.1 Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMP vehicles") formed to issue and distribute wealth management products ("non-principal guaranteed WMPs") which are not subject to any guarantee by the Group in respect of the principal invested or yield to be paid. The WMP vehicles invest in a range of fixed-yield assets, including money market instruments, debt securities and loan assets. As the manager of the WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment scheme related to each WMP and distributes the yield to investors based on product operation. The variable return earned by the Group under the non-principal guaranteed WMPs is not significant, and therefore, these WMPs are not consolidated by the Group.

As at June 30, 2024 and December 31, 2023, the non-principal guaranteed WMPs issued and managed by the Group amounted to RMB957,325 million and RMB776,499 million, respectively. The net fee and commission income from such activities was disclosed in Note 4.

As at June 30, 2024, the Group held RMB1,350 million of non-principal guaranteed WMPs issued and managed by the Group (December 31, 2023: RMB682 million).

As at June 30, 2024 and December 31, 2023, the Group did not enter into any repurchase agreements with the non-principal-guaranteed wealth management products sponsored by the Group.

(All amounts in millions of RMB unless otherwise stated)

37 Structured entities (continued)

37.2 Unconsolidated structured entities invested by the Group

The Group invests in unconsolidated structured entities issued and managed by other institutions, and records interest income, net trading gains and net gains on investment securities therefrom. These structured entities mainly comprise fund investments, trust investment plans, asset management plans, asset-backed securities and other debt instruments, etc. The nature and purpose of the 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.

As at June 30, 2024 and December 31, 2023, the Group's maximum exposure to these unconsolidated structured entities was summarized in the table below:

	As at June 30, 2024		
	Financial assets measured at FVTPL	Financial assets measured at amortized cost	Total
Fund investments	**731,407**	**–**	**731,407**
Trust investment plans and asset management plans	**50,165**	**–**	**50,165**
Asset-backed securities	**2,518**	**96,757**	**99,275**
Other debt instruments	**–**	**18,971**	**18,971**
Total	**784,090**	**115,728**	**899,818**

	As at December 31, 2023		
	Financial assets measured at FVTPL	Financial assets measured at amortized cost	Total
Fund investments	621,550	–	621,550
Trust investment plans and asset management plans	51,164	–	51,164
Asset-backed securities	817	113,943	114,760
Other debt instruments	–	19,634	19,634
Total	673,531	133,577	807,108

No open market information was readily available for the overall scale of those unconsolidated structured entities mentioned above.

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37 Structured entities (continued)

37.2 Unconsolidated structured entities invested by the Group (continued)

For the six-month period ended June 30, 2024 and 2023, the income from these unconsolidated structured entities earned by the Group was as follows:

	Six-month period ended June 30	
	2024	**2023**
Interest income	**1,957**	3,190
Net gains on investment securities	**12,035**	11,731
Net trading gains	**1**	1
Total	**13,993**	14,922

37.3 Consolidated structured entities held by the Group

The consolidated structured entities issued and managed by the Group consist of special purpose trusts founded by third party trust companies for conducting asset securitization business by the Group. For the six-month period ended June 30, 2024 and for the year ended December 31, 2023, the Group did not provide any financial support to these special purpose trusts.

38 Contingent liabilities and commitments

38.1 Capital commitments

	As at June 30, 2024	As at December 31, 2023
Contracts signed but not executed	**9,548**	7,299

The Group's capital commitments are contracts signed but not executed, which mainly include purchase of property and equipment, intangible assets, and decoration projects.

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38 Contingent liabilities and commitments (continued)

38.2 Collateral

Assets pledged as collaterals

Certain of assets held by the Group were pledged as collaterals under repurchase agreements. Such transactions were conducted in accordance with normal business terms and conditions.

	As at June 30, 2024	As at December 31, 2023
Debt securities	**69,276**	251,942
Bills	**13,536**	28,583
Total	**82,812**	280,525

In addition, due to other business needs, some of the debt securities held by the Group were pledged as collaterals. As at June 30, 2024, the carrying amount of debt securities pledged as collaterals amounted to RMB145,654 million (December 31, 2023: RMB155,784 million).

Collaterals received

Collaterals under loans and advances to customers mainly include land use rights and buildings. The Group has not resold or re-pledged these collaterals which the owners of the pledged properties have not breached the contracts. As at June 30, 2024, the Group's exposure to credit-impaired loans and advances to customers covered by corresponding collateral was RMB36,509 million (December 31, 2023: RMB33,401 million).

Collaterals under certain deposits with banks mainly include bonds issued by Chinese government and policy banks. The Group has not resold or re-pledged these collaterals which the owners of the pledged properties have not breached the contracts.

Financial assets held under resale agreements are mainly collateralized by debt securities and bills. As part of certain resale agreements, the Group obtains debt securities or bills from counterparts which could be resold or re-pledged as collaterals during the business operation of financial assets held under resale agreements from banks. As at June 30, 2024, the Group obtained the debt securities as collaterals from counterparts under the business with a carrying amount of RMB769 million (December 31, 2023: Nil). As at June 30, 2024, the principal amount of the bills accepted by the Group that can be resold or re-pledged was RMB32,889 million (December 31, 2023: RMB36,867 million).

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38 Contingent liabilities and commitments (continued)

38.3 Redemption commitment for government bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of the treasury bonds have the right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity or regular settlement. The redemption price is the face value of the treasury bonds underwritten and sold plus unpaid interest in accordance with the terms of the early redemption arrangement.

As at June 30, 2024, the nominal value of treasury bonds the Group was obligated to redeem was RMB137,701 million (December 31, 2023: RMB136,102 million). The original maturities of these bonds range from 1 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

38.4 Lawsuits and claims

The Group was involved in a number of lawsuits and claims during its normal course of business. As at June 30, 2024, provisions of RMB4,020 million were made by the Group (December 31, 2023: RMB4,163 million) based on court judgments or advice of legal counsel, and included in Note 30(2). Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

38.5 Credit commitments

	As at June 30, 2024	As at December 31, 2023
Loan commitments		
– With an original maturity of less than 1 year	**1,750**	3,830
– With an original maturity of 1 year or above	**34,642**	50,837
Subtotal	**36,392**	54,667
Bank acceptances	**147,473**	161,994
Guarantees and letters of guarantee	**104,627**	90,880
Letters of credit	**117,206**	95,177
Unused credit card commitments	**489,486**	460,229
Total	**895,184**	862,947

(All amounts in millions of RMB unless otherwise stated)

38 Contingent liabilities and commitments (continued)

38.5 Credit commitments (continued)

Credit commitments of the Group mainly include unused limits for credit cards issued to customers and general credit facilities. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, guarantees and letters of guarantee or bank acceptances.

As at June 30, 2024 and December 31, 2023, the credit risk exposure of the credit commitments was mainly in Stage 1.

38.6 Credit risk-weighted amounts for credit commitments

	As at June 30, 2024	As at December 31, 2023
Credit commitments	**271,848**	239,399

The credit risk-weighted amounts for credit commitments is based on positions of the counterparties and maturity characteristics of each type of contract, etc.

39 Transfers of financial assets

The Group enters into transactions during the normal course of business by which it transfers recognized financial assets to third parties or to special purpose trusts. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

39.1 Outright repurchase agreements

The Group has entered into the following repurchase agreements, and the recourse rights of the counterparties are not limited to the transferred assets. The Group does not derecognize financial assets transferred as collateral in connection with repurchase agreements.

	As at June 30, 2024		As at December 31, 2023	
	Financial assets measured at amortized cost	Financial assets measured at FVTOCI	Financial assets measured at amortized cost	Financial assets measured at FVTOCI
Carrying amount of the collateral	**7,703**	**–**	10	–
Financial assets sold under repurchase agreements	**(6,899)**	**–**	(10)	–

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39 Transfers of financial assets (continued)

39.2 Securities lending transactions

Counterparties are allowed to sell or repledge securities lent under securities lending agreements in the absence of any default by the Group, but at the same time, they have an obligation to return such securities upon the maturity of the securities lending agreements. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at June 30, 2024, the carrying amount of debt securities lent to counterparties was RMB53,585 million (December 31, 2023: RMB40,685 million).

39.3 Credit assets securitization transactions

The Group enters into securitization transactions during the normal course of business by which it transfers credit assets to special purpose trusts which in turn issues asset-backed securities to investors. The Group may acquire some asset-backed securities and fund shares at the senior and subordinated tranche level. Accordingly, the Group may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it transfers the risks and rewards of the assets.

With respect to the credit assets that are securitized and qualified for derecognition, the Group derecognizes the transferred credit assets in their entirety. For the six-month ended June 30, 2024, the face value at the date of transfer of the original credit assets was RMB8,403 million (for the six-month ended June 30, 2023: RMB5,473 million). As the Bank substantially transferred all the risks and rewards of these credit assets, the full amount of such securitized credit assets were derecognized.

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 recognizes an asset in the condensed consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets. 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-month ended June 30, 2024, there were no new securitised credit assets in which the Group retained the continuing involvement (for the six-month ended June 30, 2023: Nil). The carrying amount of the continuing involvement assets and the corresponding continuing involvement liabilities, which were recognized in other assets and other liabilities in the condensed consolidated statement of financial position, are both RMB4,450 million as at June 30, 2024 (December 31, 2023: RMB4,450 million). The Group acts as a credit service provider of the special purpose trusts, manages the credit assets transferred to the special purpose trusts, and collects the corresponding fee as the loan asset manager. For the six-month period ended June 30, 2024 and the year 2023, the Group did not provide any financial support to these special purpose trusts.

40 Segment analysis

40.1 Operating segment

The Group manages the business from both a business and geographic perspective. From the business perspective, the Group provides services through four main operating segments listed below:

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include savings deposit-taking, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds, insurance agency services, etc.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include current account settlement, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products, etc.

Treasury

This segment covers businesses including deposits and placements with banks and other financial institutions, interbank borrowings and lendings, repurchase and resale transactions, various debt instrument investments, equity instrument investment and the issuance of bond securities, etc.

Others

This segment includes items that are not attributed to the above segments or cannot be allocated on a reasonable basis.

The management of the Group monitors operating results of each segment for the purposes of resource allocation and assessment of segment performance. The accounting policies of the operating segments are the same as the Group's accounting policies when preparing segment financial information.

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40 Segment analysis (continued)

40.1 Operating segment (continued)

	Six-month period ended June 30, 2024				
	Personal banking	Corporate banking	Treasury	Others	Total
Interest income from external customers	102,913	64,620	87,150	–	254,683
Interest expense to external customers	(95,700)	(10,120)	(5,987)	–	(111,807)
Intersegment net interest income/(expense)	110,428	(27,375)	(83,053)	–	–
Net interest income/(expense)	117,641	27,125	(1,890)	–	142,876
Net fee and commission income	8,364	5,138	1,659	–	15,161
Net trading gains	–	–	2,281	–	2,281
Net gains on investment securities	–	–	14,428	–	14,428
Net gains on derecognition of financial assets measured at amortized cost	–	–	1,731	–	1,731
Share of results of associates	–	–	–	6	6
Net other operating gains/(losses)	512	106	(407)	225	436
Operating expenses	(83,839)	(12,643)	(10,776)	(114)	(107,372)
Credit impairment (losses)/gains	(25,918)	8,724	1,074	–	(16,120)
Impairment losses on other assets	(13)	–	–	–	(13)
Profit before income tax	16,747	28,450	8,100	117	53,414
Supplementary information					
Depreciation and amortization	4,469	1,093	122	–	5,684
Capital expenditures	5,887	1,456	67	–	7,410

	As at June 30, 2024				
	Personal banking	Corporate banking	Treasury	Others	Total
Segment assets	5,088,858	4,244,215	7,017,919	695	16,351,687
Deferred tax assets					61,842
Total assets					16,413,529
Segment liabilities	(13,301,002)	(1,681,895)	(423,763)	(57)	(15,406,717)
Deferred tax liabilities					(13)
Total liabilities					(15,406,730)
Supplementary information					
Credit commitments	489,486	405,698	–	–	895,184

(All amounts in millions of RMB unless otherwise stated)

40 Segment analysis (continued)

40.1 Operating segment (continued)

	Six-month period ended June 30, 2023				
	Personal banking	Corporate banking	Treasury	Others	Total
Interest income from external customers	104,954	57,190	83,166	–	245,310
Interest expense to external customers	(90,069)	(9,543)	(5,393)	–	(105,005)
Intersegment net interest income/(expense)	98,743	(22,621)	(76,122)	–	–
Net interest income	113,628	25,026	1,651	–	140,305
Net fee and commission income	13,493	3,256	1,454	–	18,203
Net trading gains	–	–	2,253	–	2,253
Net gains on investment securities	–	–	13,677	–	13,677
Net gains on derecognition of financial assets measured at amortized cost	–	–	1,325	–	1,325
Share of results of associates	–	–	–	7	7
Net other operating gains	705	187	260	235	1,387
Operating expenses	(80,747)	(11,639)	(10,544)	(179)	(103,109)
Credit impairment losses	(5,097)	(12,256)	(1,963)	–	(19,316)
Impairment losses on other assets	(1)	–	–	–	(1)
Profit before income tax	41,981	4,574	8,113	63	54,731
Supplementary information					
Depreciation and amortization	4,338	991	118	–	5,447
Capital expenditures	4,479	1,035	56	–	5,570

	As at December 31, 2023				
	Personal banking	Corporate banking	Treasury	Others	Total
Segment assets	4,867,224	3,932,362	6,863,864	673	15,664,123
Deferred tax assets					62,508
Total assets					15,726,631
Segment liabilities	(12,579,408)	(1,480,774)	(709,829)	–	(14,770,011)
Deferred tax liabilities					(4)
Total liabilities					(14,770,015)
Supplementary information					
Credit commitments	460,229	402,718	–	–	862,947

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40 Segment analysis (continued)

40.2 Geographical segment

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

- Head Office
- "Yangtze River Delta": Shanghai Municipality, Jiangsu Province, Zhejiang Province and Ningbo
- "Pearl River Delta": Guangdong Province, Shenzhen, Fujian Province and Xiamen
- "Bohai Rim": Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province and Qingdao
- "Central China" region: Shanxi Province, Henan Province, Hubei Province, Hunan Province, Anhui Province, Jiangxi Province and Hainan Province
- "Western China" region: Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Xizang Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region
- "Northeastern China" region: Liaoning Province, Heilongjiang Province, Jilin Province and Dalian

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40 Segment analysis (continued)

40.2 Geographical segment (continued)

	Six-month period ended June 30, 2024							
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Total
Interest income from external customers	95,146	33,301	24,097	23,995	40,376	29,448	8,320	254,683
Interest expense to external customers	(4,235)	(19,175)	(9,180)	(17,416)	(33,059)	(21,331)	(7,411)	(111,807)
Intersegment net interest (expense)/income	(109,389)	12,626	5,829	17,671	38,400	24,900	9,963	–
Net interest (expense)/income	(18,478)	26,752	20,746	24,250	45,717	33,017	10,872	142,876
Net fee and commission income	298	2,890	2,232	3,123	3,439	2,496	683	15,161
Net trading gains	2,281	–	–	–	–	–	–	2,281
Net gains/(losses) on investment securities	13,601	321	127	166	224	57	(68)	14,428
Net gains on derecognition of financial assets measured at amortized cost	171	368	277	213	332	322	48	1,731
Share of results of associates	–	–	–	6	–	–	–	6
Net other operating (losses)/gains	(532)	106	202	93	152	379	36	436
Operating expenses	(5,971)	(15,428)	(11,113)	(14,992)	(30,075)	(21,922)	(7,871)	(107,372)
Credit impairment gains/(losses)	18,048	(5,604)	(7,043)	(4,142)	(8,634)	(6,329)	(2,416)	(16,120)
Impairment losses on other assets	–	–	–	(2)	–	(5)	(6)	(13)
Profit before income tax	9,418	9,405	5,428	8,715	11,155	8,015	1,278	53,414
Supplementary information								
Depreciation and amortization	1,229	776	584	833	977	965	320	5,684
Capital expenditures	3,899	676	332	887	1,047	370	199	7,410

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40 Segment analysis (continued)

40.2 Geographical segment (continued)

	As at June 30, 2024								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Eliminations	Total
Segment assets	7,218,072	2,684,677	1,591,361	2,642,176	5,002,506	3,187,201	1,151,466	(7,125,772)	16,351,687
Deferred tax assets									61,842
Total assets									16,413,529
Segment liabilities	(6,337,139)	(2,671,209)	(1,581,336)	(2,621,397)	(4,992,344)	(3,179,135)	(1,150,406)	7,126,249	(15,406,717)
Deferred tax liabilities									(13)
Total liabilities									(15,406,730)
Supplementary information									
Credit commitments	489,486	102,224	58,219	103,738	65,691	63,239	12,587	–	895,184

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40 Segment analysis (continued)

40.2 Geographical segment (continued)

	Six-month period ended June 30, 2023							
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Total
Interest income from external customers	91,220	30,949	23,863	22,785	40,170	28,124	8,199	245,310
Interest expense to external customers	(4,237)	(17,892)	(8,210)	(15,870)	(31,257)	(20,626)	(6,913)	(105,005)
Intersegment net interest (expense)/income	(108,099)	13,204	5,477	17,428	37,695	24,872	9,423	–
Net interest (expense)/income	(21,116)	26,261	21,130	24,343	46,608	32,370	10,709	140,305
Net fee and commission (expense)/income	(31)	3,000	2,663	3,584	4,743	3,127	1,117	18,203
Net trading gains	2,253	–	–	–	–	–	–	2,253
Net gains/(losses) on investment securities	13,032	269	73	125	141	106	(69)	13,677
Net gains on derecognition of financial assets measured at amortized cost	526	103	122	104	192	191	87	1,325
Share of results of associates	–	–	–	7	–	–	–	7
Net other operating gains	373	146	178	107	108	428	47	1,387
Operating expenses	(6,718)	(14,286)	(11,004)	(14,110)	(28,232)	(21,035)	(7,724)	(103,109)
Credit impairment losses	(2,840)	(3,312)	(3,862)	(1,717)	(3,844)	(3,206)	(535)	(19,316)
Impairment losses on other assets	(1)	–	–	–	–	–	–	(1)
(Loss)/Profit before income tax	(14,522)	12,181	9,300	12,443	19,716	11,981	3,632	54,731
Supplementary information								
Depreciation and amortization	1,170	742	551	766	933	978	307	5,447
Capital expenditures	1,739	432	504	675	1,337	665	218	5,570

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40 Segment analysis (continued)

40.2 Geographical segment (continued)

	As at December 31, 2023								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Eliminations	Total
Segment assets	10,795,641	2,682,621	1,729,157	2,681,622	5,009,135	3,349,694	1,205,801	(11,789,548)	15,664,123
Deferred tax assets									62,508
Total assets									15,726,631
Segment liabilities	(10,074,161)	(2,652,248)	(1,705,944)	(2,642,116)	(4,966,790)	(3,321,081)	(1,198,664)	11,790,993	(14,770,011)
Deferred tax liabilities									(4)
Total liabilities									(14,770,015)
Supplementary information									
Credit commitments	460,229	96,828	63,695	103,792	62,528	63,445	12,430	–	862,947

41 Financial risk management

41.1 Overview

To ensure an appropriate level of risk-adjusted return and sufficient capital adequacy, the Group adheres to a prudent risk management strategy, and achieves a decent return through appropriate risk-taking with consideration of size, growth and quality of its businesses.

The Group is mainly exposed to credit risk, market risk, liquidity risk and operational risk. Market risk includes interest rate risk and exchange rate risk.

This section describes the Group's position with respect to the above risk exposures, and the Group's objectives, policies and procedures in managing those risk exposures, as well as the Group's capital management.

41 Financial risk management (continued)

41.2 Framework of financial risk management

The Group's Board of Directors assumes the ultimate responsibilities for comprehensive risk management, which include establishing risk culture, formulating and approving risk management strategies, setting and approving risk appetites and ensuring the establishment of risk limits, reviewing and approving major risk management policies and procedures, monitoring comprehensive risk management implemented by the senior management, reviewing comprehensive risk management reports, examining and approving disclosure of comprehensive risks and various significant risks, appointment of Chief Risk Officer, and other duties related to risk management.

The Group's Board of Supervisors assumes the supervisory responsibilities for comprehensive risk management, and is responsible for supervising the Board of Directors and the senior management in fulfilling their duties of risk management and urging them for any rectifications.

The Group's senior management assumes the responsibilities for implementation of comprehensive risk management and carrying out decisions of the Board of Directors, which includes setting up the operation and management structure in line with comprehensive risk management framework, clarifying division of responsibilities among functional departments, business departments and other departments under comprehensive risk management framework, establishing coordination mechanism with effective balance of power across departments, formulating clear implementation and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetites and risk limits, setting up risk limits according to risk appetite determined by the Board of Directors, including but not limited to levels such as industry, region, customer, and product. The Group's senior management is also responsible for formulating risk management policies and procedures, regular assessments, with adjustments when necessary, and assessing conditions of comprehensive risks and various important risk management with reports to the Board of Directors. In addition, it is the Group's senior management's responsibility to establish sound management information system and data quality control mechanism, and oversee violation of risk appetite, risk limits, and risk management policies and procedures, and deal with them under authorization of the Board of Directors, and assume other responsibilities from risk management perspective.

41.3 Credit risk

Credit risk refers to the risk of loss caused by the default or the deterioration of credit rating and repayment ability of the debtor or the counterparty.

The main sources of the Group's credit risk include: credit business, treasury business (including deposits and placements, resale agreement, debt securities issued by corporates and financial institutions, inter-bank investment, etc.), off-balance sheet credit business (including guarantee, commitment, etc.).

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41 Financial risk management (continued)

41.3 Credit risk (continued)

The organizational structure of the Group on credit risk management is as follows: the Board of Directors takes the ultimate responsibilities for credit risk management, the Board of Supervisors takes the supervisory responsibilities for credit risk management, while the senior management undertaking the responsibilities for implementation of credit risk management, and for the implementation of resolutions approved by the Board of Directors on credit risk; the Risk Management Committee is responsible for credit risk management; and the Credit Business Approval Committee is responsible for approving credit lines within the scope of authorization; each business department shall bear the primary responsibility for credit risk mitigation, and implementation of policies, standards and procedures of credit risk management in its own field of business in accordance with the segregation of duties among different functions; departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and others are responsible for the overall planning, supervision and review of credit risk management and mitigation, of which the Credit Management Department is the leading department of credit risk management, and the Internal Audit Department supervises each department's performance of duties in credit risk management independently and objectively.

(1) Loans and advances to customers, loan commitments and financial guarantees

The risk on loan portfolio refers to the risk of uncertain income or loan losses due to failure of a borrower to repay the principal and interest in full upon maturity of a loan. Given the loan portfolio is a major component of the Group's assets, risk on the loan portfolio is considered as a principal credit risk.

(2) Debt securities and other debt instruments

Credit risks on debt securities and other debt instruments arising from changes in credit spreads, default rates, loss ratios and credit quality of underlying assets.

The Group adopts a prudent approach in making debt security investments by focusing on low-risk debt securities, including government bonds and bonds issued by financial institutions. Other debt instruments are mainly trust investment plans and assets management plans.

The Group established a risk evaluation system on the issuers of corporate bonds and other debt instruments, and performs ongoing post-lending monitoring on a timely basis.

(3) Interbank financing business

The Group manages the credit quality by considering the size, financial position and the internal and external credit rating of those banks and financial institutions.

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.1 Expected credit loss measurement

The Group has applied ECL models to measure the impairment of debt instruments measured at amortized cost and at FVTOCI, as well as credit commitments.

Based on whether a significant increase in credit risk has occurred since initial recognition of a financial instrument or becoming credit impaired, the Group will classify credit risk exposures into three stages to calculate the ECL.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition, measured by the changes of default risk over their expected life. These changes have been determined by comparing the default risk at the end of the reporting period and at the date of initial recognition.

Stage 3 includes financial instruments that are credit-impaired.

The Group could assesses impairment allowance through either the ECL models or discounted cash flow method.

The Group has incorporated forward-looking information for measuring ECL and constructed complicated models involving substantial management judgements and assumptions, mainly including the following:

– Grouping of risks;

– Significant increase in credit risk;

– Definition of default and credit-impaired;

– Descriptions of parameters, assumptions and estimation techniques;

– Forward-looking information;

– Management overlay;

– The estimated future cash flows for loans and advances to customers and financial investments which applied discounted cash flow method.

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41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.1 Expected credit loss measurement (continued)

(1) Grouping of risks

For measurement of ECL, the credit risk exposures will be segmented based on similar credit risk characteristics. In determination of the portfolio segmentation of credit assets, the Group considers the type of borrower, type of product, and industry, etc. The segmentation of portfolio is regularly monitored and reviewed to ensure the appropriateness and reliability of credit risk segmentation.

(2) Significant Increase in credit risk (SICR)

At the end of each reporting period, the Group evaluates whether a SICR of related financial instruments has occurred since initial recognition, which mainly includes: impacts of regulation and operating environment, changes in internal and external credit rating, insolvency, business performance, loan contractual terms, etc. Based on individual financial instrument or financial instrument portfolios with similar credit risk characteristics, the Group determines changes of the default risk by comparing the risk at the end of each reporting period with that at the date of initial recognition.

The Group has set up both quantitative and qualitative standards according to the different features of credit risk associated with the financial assets as well as the current status of risk management initiatives. In determining whether a SICR of financial assets has occurred, the Group mainly considers whether the internal credit rating has been downgraded by more than a certain scale and has reached a certain threshold since initial recognition, whether there has been an adverse change of risk classification, and whether principal or interest has been more than 30 days past due, etc.

(3) Definition of default and credit-impaired

The Group considers a financial instrument as in default or being credit-impaired when it meets one or more of the following criteria, including whether principal or interest has been more than 90 days, and whether the risk classification of the credit risk exposure has been downgraded below a certain category or the internal credit rating has been downgraded below a certain threshold, etc.

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.1 Expected credit loss measurement (continued)

(4) Descriptions of parameters, assumptions, and estimation techniques

ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a SICR has occurred since initial recognition and whether an asset is considered being credit-impaired. ECL derived from the discounted value of the multiplication of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

Related definitions are as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation. The Group's PD has adopted the results of internal rating model, or for financial asset that does not use this model, historical analysis is adopted, where the historical default records are calculated by historical data of asset portfolios with similar credit risk characteristics, incorporating forward-looking information, to reflect the PD at a specific point in time under the current macroeconomic environment.

LGD refers to the ratio of the expected loss in the total amount of the loan portfolios, which is the extent of loss on a default. The Group's LGD is calculated by internal rating model. For financial asset that does not use this model, historical analysis is adopted, where the loss of default has been calculated over the next 12 months or over the remaining lifetime from the time of default. The assessment is on an individual basis by customer type, guarantee method, and historical non-performing loan collection experience, etc.

EAD refers to the total amount of on-and-off balance sheet exposures in the event of default.

The Group estimates PD, LGD and EAD of each portfolio in the future to calculate the ECL. The Group multiples the three and adjusts their expected life (such as default), and discount and aggregate the calculation result of each period to determine the ECL. The discount rate used in the ECL calculation is the effective rate or its approximate value.

The Group periodically monitors the related assumptions concerning the calculation of ECL and makes necessary updates and adjustments.

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41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.1 Expected credit loss measurement (continued)

(5) Forward-looking information

The calculation of ECL incorporates forward-looking information. The Group performs historical analysis and has identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including Gross Domestic Product ("GDP"), Consumer Price Index, Consumer Confidence Index, etc.

These economic variables and their associated impacts on PD vary by segmentation of portfolios. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "basic economic scenario") are made by the Group regularly, and the relationship between these economic variables and PD is identified through performing statistical regression analysis with the purpose of understanding the impact that the historical changes of these variables that might have on PD.

The Group has adopted three economic scenarios (Base, Upside and Downside) and applied weightings for them respectively, on the basis of a combination of the macroeconomic information, statistical analysis and expert judgement. For the period ended June 30, 2024, the highest weighting is assigned to Base scenario, while weightings of Upside and Downside were not higher than 30% respectively.

As at June 30, 2024, the Group considers the macroeconomy by referring to the prediction of internal and external authoritative experts to determine the base scenario. Under the base scenario, the growth rate of GDP is predicted to range from 4.5% to 5.5%. Forecast GDP growth value under the upside and downside scenarios had been determined by moving up and down, by a certain degree, from the base scenario forecast.

The Group periodically reviews and monitors the appropriateness of the above assumptions, and makes necessary updates and adjustments.

Relatively substantial management judgements are involved in the weighting scheme of macroeconomic scenarios, macroeconomic forecasts, and SICR in ECL models. The variation of key inputs above will inevitably lead to changes in ECL as a result of model's inherent complexity. The Group has analyzed sensitivity of ECL model by considering the fluctuation of macroeconomic forecasts.

Assuming year-over-year growth in GDP, the core macroeconomic forecasting indicator, would increase or decrease by 10%, the absolute change rate of the balance of loss allowance as at June 30, 2024 would be no more than 5%.

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.1 Expected credit loss measurement (continued)

(6) Management Overlay

Taking into account inherent limitations of ECL models and temporary systematic risk factors, the Group has accrued additional loss allowance in response to potential risk and improved its risk compensation capability. The amount of management overlay adjustments was not material as compared to the total balance of loss allowance as at June 30, 2024.

(7) The estimated future cash flows for loans and advances to customers as well as financial investments which applied discounted cash flow method

At each measurement date, the Group projects the future cash inflows of each future period related to the financial assets. The cash flows are discounted and aggregated to determine the present value of the assets' future cash flows.

(8) Write-off policy

The Group writes off financial assets, in full or in part, when it has taken all necessary recovery efforts and is still not capable of reasonably expecting to recover partial or all the financial assets. The Group may write-off financial assets that are still subject to enforcement activities. The outstanding amounts of such assets written off during the six-month period ended June 30, 2024 were RMB10,290 million (for the six-month period ended June 30, 2023: RMB8,265 million).

(9) The modification of contractual cash flows

In order to minimize the credit loss, the Group may renegotiate the terms of the contract with borrowers that have deteriorated in financial position, or are unable to meet their original repayment schedule, which include concessions given by the Group that would not otherwise be granted to these borrowers for economic or legal reasons relating to their financial difficulties. Such contract modifications may include terms of loan, repayment schedule or interest rate. Based on the management's judgement of the borrowers' repayment possibility, the Group has formulated specific rescheduled loan policy and practice, and reviewed the policy continuously. Rescheduled loans should be reviewed with an observation period to reach the corresponding stage classification criteria, and the observation period should contain at least 2 consecutive repayment periods and not be less than 1 year. As at June 30, 2024, the amount of the rescheduled loans and advances to customers of the Group was RMB15,746 million (December 31, 2023: RMB11,335 million).

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41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.2 Credit risk limit control and mitigation policy

In accordance with risk policies and limits, the risk management and business departments of the Group enhanced risk management policies and procedures to optimize business processes and monitor the implementation of risk control indicators.

To mitigate risks, the Group requires customers to provide collateral or guarantees when appropriate. The Group has established guidelines for the acceptability of specific types of collateral, and set up a collateral management system to standardize the collateral operation process. At the same time, the value, structure and legal documents of the collateral are regularly reviewed to ensure its validity and conform to market practices.

41.3.3 Credit risk exposures

(1) Maximum credit risk exposures

The table below presents the Group's maximum credit risk exposures before considering any collaterals or other credit enhancements as at June 30, 2024 and December 31, 2023 respectively. For on-balance sheet assets, the maximum credit risk exposures are presented at their net carrying amounts on the condensed consolidated statement of financial position.

	As at June 30, 2024	As at December 31, 2023
Deposits with central bank	**1,266,080**	1,289,825
Deposits with banks and other financial institutions	**255,419**	189,216
Placements with banks and other financial institutions	**328,849**	297,742
Derivative financial assets	**3,459**	2,154
Financial assets held under resale agreements	**211,036**	409,526
Loans and advances to customers	**8,424,546**	7,915,245
Financial investments		
Financial assets measured at FVTPL – debt instruments	**993,308**	886,613
Financial assets measured at FVTOCI – debt instruments	**516,665**	503,536
Financial assets measured at amortized cost	**4,147,488**	3,988,210
Other financial assets	**45,062**	24,486
Subtotal	**16,191,912**	15,506,553
Credit commitments	**895,184**	862,947
Total	**17,087,096**	16,369,500

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.4 Loans and advances to customers

(1) Loans and advances to customers by geographical region:

	As at June 30, 2024		As at December 31, 2023	
	Amount	Proportion	Amount	Proportion
Head Office	**346,298**	**4%**	363,568	4%
Central China	**2,117,735**	**24%**	1,997,777	25%
Yangtze River Delta	**1,836,913**	**21%**	1,693,237	21%
Western China	**1,488,227**	**17%**	1,384,281	17%
Bohai Rim	**1,346,715**	**16%**	1,237,696	15%
Pearl River Delta	**1,082,246**	**13%**	1,052,519	13%
Northeastern China	**440,628**	**5%**	419,815	5%
Total	**8,658,762**	**100%**	8,148,893	100%

(2) Loans and advances to customers by types:

	As at June 30, 2024		As at December 31, 2023	
	Amount	Proportion	Amount	Proportion
Personal loans and advances	**4,687,617**	**54%**	4,470,248	55%
Corporate loans and advances				
Including:				
Corporate loans	**3,532,645**	**41%**	3,214,471	39%
Discounted bills	**438,500**	**5%**	464,174	6%
Total	**8,658,762**	**100%**	8,148,893	100%

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41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.4 Loans and advances to customers (continued)

(3) Loans and advances to customers by industry:

	As at June 30, 2024		As at December 31, 2023	
	Amount	**Proportion**	**Amount**	**Proportion**
Personal loans and advances				
Consumer loans				
– Residential mortgage loans	**2,361,609**	**27%**	2,337,991	29%
– Other consumer loans	**567,731**	**6%**	520,750	6%
Personal small and micro loans	**1,535,010**	**18%**	1,392,227	17%
Credit overdrafts and others	**223,267**	**3%**	219,280	3%
Subtotal	**4,687,617**	**54%**	4,470,248	55%
Corporate loans and advances				
Transportation, storage and postal services	**861,700**	**10%**	859,031	11%
Manufacturing	**565,172**	**7%**	509,819	6%
Real estate	**285,458**	**3%**	253,086	3%
Production and supply of electricity, heating, gas and water	**284,729**	**3%**	274,330	3%
Wholesale and retail	**284,022**	**3%**	237,693	3%
Management of water conservancy, environmental and public facilities	**270,625**	**3%**	185,950	2%
Financial services	**270,395**	**3%**	286,117	4%
Leasing and business services	**242,935**	**3%**	209,006	3%
Construction	**230,135**	**3%**	198,542	2%
Mining	**89,899**	**1%**	84,412	1%
Other industries	**147,575**	**2%**	116,485	1%
Subtotal	**3,532,645**	**41%**	3,214,471	39%
Discounted bills	**438,500**	**5%**	464,174	6%
Total	**8,658,762**	**100%**	8,148,893	100%

As at June 30, 2024, the balance of loans and advances to customers in relation to transportation, storage and postal services included loans to China State Railway Group Co., Ltd. of RMB130,024 million (December 31, 2023: RMB155,479 million).

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.4 Loans and advances to customers (continued)

(4) Loans and advances to customers by types of collateral:

	As at June 30, 2024		As at December 31, 2023	
	Amount	Proportion	Amount	Proportion
Unsecured loans	**2,437,718**	**28%**	2,330,678	28%
Guaranteed loans	**819,274**	**9%**	626,029	8%
Loans secured by mortgages	**4,107,562**	**48%**	3,923,631	48%
Loans secured by pledges	**855,708**	**10%**	804,381	10%
Discounted bills	**438,500**	**5%**	464,174	6%
Total	**8,658,762**	**100%**	8,148,893	100%

(5) Overdue loans and advances to customers

Overdue loans and advances to customers by security types and overdue status are as follows:

	As at June 30, 2024				
	Overdue for 1 to 90 days (including 90 days)	Overdue for 91 days to 1 year (including 1 year)	Overdue for 1 to 3 years (including 3 years)	Overdue for over 3 years	Total
Unsecured loans	**10,327**	**13,272**	**5,843**	**625**	**30,067**
Guaranteed loans	**2,252**	**3,122**	**1,573**	**698**	**7,645**
Loans secured by mortgages	**21,946**	**18,155**	**11,536**	**1,913**	**53,550**
Loans secured by pledges	**25**	**52**	**58**	**169**	**304**
Total	**34,550**	**34,601**	**19,010**	**3,405**	**91,566**

	As at December 31, 2023				
	Overdue for 1 to 90 days (including 90 days)	Overdue for 91 days to 1 year (including 1 year)	Overdue for 1 to 3 years (including 3 years)	Overdue for over 3 years	Total
Unsecured loans	8,637	10,607	5,683	400	25,327
Guaranteed loans	1,728	2,323	1,325	694	6,070
Loans secured by mortgages	15,516	15,400	9,690	1,854	42,460
Loans secured by pledges	24	31	122	104	281
Total	25,905	28,361	16,820	3,052	74,138

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41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.5 Debt instruments

(1) Credit quality of debt instruments

The table below represents the carrying amounts of financial assets measured at amortized cost and financial assets measured at FVTOCI – debt instruments:

	As at June 30, 2024			
	Stage 1(i)	Stage 2	Stage 3	Total
Financial assets measured at amortized cost	**4,144,239**	**3,247**	**2**	**4,147,488**
Financial assets measured at FVTOCI – debt instruments	**516,665**	**–**	**–**	**516,665**
Total	**4,660,904**	**3,247**	**2**	**4,664,153**

	As at December 31, 2023			
	Stage 1(i)	Stage 2	Stage 3	Total
Financial assets measured at amortized cost	3,984,544	3,662	4	3,988,210
Financial assets measured at FVTOCI – debt instruments	503,536	–	–	503,536
Total	4,488,080	3,662	4	4,491,746

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.5 Debt instruments (continued)

(1) Credit quality of debt instruments (continued)

(i) Debt instruments of stage 1

	As at June 30, 2024		
The types of debt instruments	Financial assets at amortized cost	Financial assets at FVTOCI	Total
Debt securities-by types of issuers			
Government	1,537,339	186,444	1,723,783
Financial institutions	2,028,453	235,265	2,263,718
Corporates	138,646	94,956	233,602
Interbank certificates of deposits	327,391	–	327,391
Asset-backed securities	97,146	–	97,146
Other debt instruments	16,437	–	16,437
Debt financing plans	3,581	–	3,581
Gross amount	4,148,993	516,665	4,665,658
Less: Allowance for impairment loss	4,754	–	4,754
Carrying amount of debt instruments at stage 1	4,144,239	516,665	4,660,904

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41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.5 Debt instruments (continued)

(1) Credit quality of debt instruments (continued)

(i) Debt instruments of stage 1 (continued)

	As at December 31, 2023		
The types of debt instruments	**Financial assets measured at amortized cost**	**Financial assets measured at FVTOCI**	**Total**
Debt securities-by types of issuers			
Government	1,471,521	190,648	1,662,169
Financial institutions	1,878,428	221,615	2,100,043
Corporates	152,808	91,273	244,081
Interbank certificates of deposits	347,320	–	347,320
Asset-backed securities	114,279	–	114,279
Other debt instruments	17,273	–	17,273
Debt financing plans	8,945	–	8,945
Gross amount	3,990,574	503,536	4,494,110
Less: Allowance for impairment loss	6,030	–	6,030
Carrying amount of debt instruments at stage 1	3,984,544	503,536	4,488,080

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.5 Debt instruments (continued)

(2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debts instruments held. The ratings are based on the ratings from major rating agencies where the issuers of the debt instruments are located. The amounts of debts instruments analyzed by rating as at the end of the reporting period are as follows:

	As at June 30, 2024					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	578,097	1,152,397	2,997	30	–	1,733,521
Bonds issued by financial institutions	2,008,430	260,645	1,404	12,035	12,175	2,294,689
Corporate bonds	118,167	132,381	1,654	12,284	3,969	268,455
Interbank certificates of deposits	465,257	–	–	–	–	465,257
Asset-backed securities	1,232	99,459	–	–	–	100,691
Debt financing plans	3,581	–	–	–	–	3,581
Fund investments	731,407	–	–	–	–	731,407
Trust investment plans and asset management plans	50,165	–	–	–	–	50,165
Wealth management products issued by financial institutions	1,350	–	–	–	–	1,350
Other debt instruments	32,802	–	–	–	–	32,802
Total	3,990,488	1,644,882	6,055	24,349	16,144	5,681,918

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41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.5 Debt instruments (continued)

(2) Debt instruments analyzed by credit rating (continued)

	As at December 31, 2023					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	723,907	936,039	2,997	101	–	1,663,044
Bonds issued by financial institutions	1,904,554	215,143	1,510	13,552	13,849	2,148,608
Corporate bonds	104,462	149,494	867	14,565	4,003	273,391
Interbank certificates of deposits	485,122	1,691	–	–	–	486,813
Asset-backed securities	16,442	99,275	406	–	–	116,123
Debt financing plans	8,945	–	–	–	–	8,945
Fund investments	621,550	–	–	–	–	621,550
Trust investment plans and asset management plans	51,164	–	–	–	–	51,164
Wealth management products issued by financial institutions	682	–	–	–	–	682
Other debt instruments	33,965	–	–	–	–	33,965
Total	3,950,793	1,401,642	5,780	28,218	17,852	5,404,285

Unrated debt instruments held by the Group are bonds issued by the Chinese government, policy banks, China Development Bank, interbank certificates of deposits, fund investments and other debt instruments such as trust investment plans and asset management plans issued by financial institutions, the principal and income of which are mainly guaranteed by financial institutions or third party companies, or secured by bills and other financial assets as collateral.

41.3.6 Concentration of credit risk

The credit risk exposure of financial assets mainly concentrates in Chinese Mainland.

41.4 Market risk

Market risk refers to the risk of loss to the Group's on- and off-balance sheet business operations arising from unfavorable changes on market prices (including interest rates, exchange rates, stock prices and commodity prices). The Group is primarily exposed to interest rate risk and exchange rate risk.

The Group adopts a centralized approach during the market risk management process, including identification, measurement, monitoring and mitigation of the market risk. The Group has established basic policies and procedures for the management of market risk, separation of banking and trading books, and valuation of financial assets. The Group applies such policies and procedures to, identify, measure, monitor and mitigate market risks on both banking book and trading book respectively.

The Group is also exposed to market risk on its derivative investments on behalf of customers that are hedged through back-to-back transactions with other financial institutions.

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41 Financial risk management (continued)

41.4 Market risk (continued)

Measurement techniques and limit setting for market risks

Trading book

Market risk on the trading book mainly arises from losses in valuation of financial instruments in the trading book due to adverse changes of market interest rates and exchange rates.

The Group uses limit management, sensitivity analysis, exposure analysis, stress test and other methods to manage the market risk of trading book and control the risk exposure within an acceptable range.

Banking book

The interest rate risk of the Group includes the risk of the adverse changes in the interest rate and term structure that may affect the economic value and overall operating income of the Group. It mainly includes the mismatch risk and the prime interest rate risk of assets and liabilities.

The Group measures the gap between assets and liabilities caused by repricing dates and maturity dates mismatch through monitoring the interest rate sensitivity gap using repricing gap analysis, and makes adjustments to refine the structure and bridge the interest rate risk gap by assessing potential changes of interest rates.

Sensitivity analysis on net interest income

The sensitivity analysis on net interest income is based on changes in interest rates with the assumption that all interest rates move by the same margin and the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, prime interest rates or any prepayment options on debt securities into consideration. On the assumption that the RMB yield and foreign currency yield move in parallel, the Group calculates changes of net interest income in the coming year.

The table below shows the potential impact on the Group's net interest income by an upward or a downward parallel shift of interest rates by 100 basis points. The actual circumstances may differ from the assumptions so that the impact on the net interest income as shown in the following analysis may be different from the actual outcome.

	(Decrease)/Increase in net interest income	
	As at June 30, 2024	As at December 31, 2023
Upward parallel shift of 100 bps for yield curves	**(24,824)**	(15,670)
Downward parallel shift of 100 bps for yield curves	**24,824**	15,670

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41 Financial risk management (continued)

41.4 Market risk (continued)

Interest rate risk

The Group's interest rate exposures are as follows. The financial assets and financial liabilities at the end of the reporting period were stated at their carrying amounts based on the earlier of their repricing date or contractual maturity date.

	As at June 30, 2024						
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with central bank	1,260,789	–	–	–	–	47,968	1,308,757
Deposits with banks and other financial institutions	17,316	19,217	216,981	–	–	1,905	255,419
Placements with banks and other financial institutions	36,227	47,591	185,084	59,510	–	437	328,849
Derivative financial assets	–	–	–	–	–	3,459	3,459
Financial assets held under resale agreements	167,634	28,853	14,347	–	–	202	211,036
Loans and advances to customers	475,624	955,325	6,375,997	562,961	33,889	20,750	8,424,546
Financial assets measured at FVTPL	24,877	35,891	104,711	16,919	25,798	786,309	994,505
Financial assets measured at FVTOCI – debt instruments	13,945	34,465	146,998	295,753	18,378	7,126	516,665
Financial assets measured at FVTOCI – equity instruments	–	–	–	–	–	4,826	4,826
Financial assets measured at amortized cost	131,497	381,644	422,680	1,722,176	1,439,516	49,975	4,147,488
Other financial assets	–	–	–	–	–	45,062	45,062
Total financial assets	2,127,909	1,502,986	7,466,798	2,657,319	1,517,581	968,019	16,240,612
Borrowings from central bank	1,231	4,005	24,913	–	–	658	30,807
Deposits from banks and other financial institutions	118,473	756	2,350	40	–	161	121,780
Placements from banks and other financial institutions	18,607	8,167	34,131	200	–	444	61,549
Derivative financial liabilities	–	–	–	–	–	4,294	4,294
Financial assets sold under repurchase agreements	60,954	6,491	17,590	–	–	162	85,197
Customer deposits	4,693,710	1,148,490	7,595,986	1,276,765	–	150,109	14,865,060
Debt securities issued	–	–	99	9,999	119,991	2,402	132,491
Other financial liabilities	362	566	1,912	5,181	1,426	59,111	68,558
Total financial liabilities	4,893,337	1,168,475	7,676,981	1,292,185	121,417	217,341	15,369,736
Interest rate risk gap	(2,765,428)	334,511	(210,183)	1,365,134	1,396,164	750,678	870,876

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.4 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2023						
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with central bank	1,281,917	–	–	–	–	55,584	1,337,501
Deposits with banks and other financial institutions	16,590	38,517	132,582	–	–	1,527	189,216
Placements with banks and other financial institutions	16,396	28,123	170,329	82,475	–	419	297,742
Derivative financial assets	–	–	–	–	–	2,154	2,154
Financial assets held under resale agreements	333,955	22,260	52,655	–	–	656	409,526
Loans and advances to customers	3,672,744	847,854	2,823,961	508,535	41,432	20,719	7,915,245
Financial assets measured at FVTPL	22,791	32,554	107,923	12,000	35,879	677,369	888,516
Financial assets measured at FVTOCI – debt instruments	17,465	39,558	72,619	354,515	12,159	7,220	503,536
Financial assets measured at FVTOCI – equity instruments	–	–	–	–	–	7,326	7,326
Financial assets measured at amortized cost	164,110	351,583	444,536	1,351,388	1,618,543	58,050	3,988,210
Other financial assets	–	–	–	–	–	24,486	24,486
Total financial assets	5,525,968	1,360,449	3,804,605	2,308,913	1,708,013	855,510	15,563,458
Borrowings from central bank	1,760	10,140	21,433	–	–	502	33,835
Deposits from banks and other financial institutions	88,472	1,859	4,765	120	–	87	95,303
Placements from banks and other financial institutions	23,099	9,593	26,920	50	–	550	60,212
Derivative financial liabilities	–	–	–	–	–	3,595	3,595
Financial assets sold under repurchase agreements	245,464	11,386	16,218	–	–	296	273,364
Customer deposits	5,382,164	2,402,520	4,662,705	1,339,275	–	169,299	13,955,963
Debt securities issued	1,089	89,254	38,248	10,000	119,991	2,556	261,138
Other financial liabilities	223	443	2,140	5,029	1,433	38,480	47,748
Total financial liabilities	5,742,271	2,525,195	4,772,429	1,354,474	121,424	215,365	14,731,158
Interest rate risk gap	(216,303)	(1,164,746)	(967,824)	954,439	1,586,589	640,145	832,300

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41 Financial risk management (continued)

41.4 Market risk (continued)

Foreign exchange rate risk

The tables below present the Group's exposures that were subject to changes in exchange rates as at June 30, 2024 and December 31, 2023, respectively. The Group's RMB exposures were included in the table for comparison. The financial assets and liabilities and off-balance sheet credit commitments were stated at their carrying amounts in RMB equivalent.

The major currency of the Group for daily operation is RMB. Other currencies used by the Group include United States Dollars (USD), Euro (EUR), Hong Kong Dollars (HKD) and U.K. Pound Sterling (GBP), etc.

	As at June 30, 2024			
	RMB	USD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and deposits with central bank	1,305,426	3,063	268	1,308,757
Deposits with banks and other financial institutions	251,348	3,287	784	255,419
Placements with banks and other financial institutions	328,139	710	–	328,849
Derivative financial assets	2,186	1,252	21	3,459
Financial assets held under resale agreements	211,036	–	–	211,036
Loans and advances to customers	8,413,530	8,855	2,161	8,424,546
Financial assets measured at FVTPL	994,505	–	–	994,505
Financial assets measured at FVTOCI – debt instruments	514,917	1,748	–	516,665
Financial assets measured at FVTOCI – equity instruments	4,826	–	–	4,826
Financial assets measured at amortized cost	4,098,959	47,651	878	4,147,488
Other financial assets	44,749	313	–	45,062
Total financial assets	16,169,621	66,879	4,112	16,240,612
Borrowings from central bank	30,807	–	–	30,807
Deposits from banks and other financial institutions	121,780	–	–	121,780
Placements from banks and other financial institutions	45,354	16,195	–	61,549
Derivative financial liabilities	2,593	1,693	8	4,294
Financial assets sold under repurchase agreements	78,191	107	6,899	85,197
Customer deposits	14,836,375	25,186	3,499	14,865,060
Debt securities issued	132,491	–	–	132,491
Other financial liabilities	66,030	2,517	11	68,558
Total financial liabilities	15,313,621	45,698	10,417	15,369,736
Net on-balance sheet position	856,000	21,181	(6,305)	870,876
Net notional amount of derivative financial instruments	(608)	(6,589)	6,286	(911)
Credit commitments	868,766	20,822	5,596	895,184

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.4 Market risk (continued)

Foreign exchange rate risk (continued)

	As at December 31, 2023			
	RMB	USD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and deposits with central bank	1,334,536	2,717	248	1,337,501
Deposits with banks and other financial institutions	184,648	3,790	778	189,216
Placements with banks and other financial institutions	297,742	–	–	297,742
Derivative financial assets	1,456	683	15	2,154
Financial assets held under resale agreements	409,526	–	–	409,526
Loans and advances to customers	7,903,113	9,938	2,194	7,915,245
Financial assets measured at FVTPL	886,036	2,480	–	888,516
Financial assets measured at FVTOCI – debt instruments	501,610	1,926	–	503,536
Financial assets measured at FVTOCI – equity instruments	7,326	–	–	7,326
Financial assets measured at amortized cost	3,932,025	55,434	751	3,988,210
Other financial assets	22,823	1,663	–	24,486
Total financial assets	15,480,841	78,631	3,986	15,563,458
Borrowings from central bank	33,835	–	–	33,835
Deposits from banks and other financial institutions	95,303	–	–	95,303
Placements from banks and other financial institutions	40,669	19,543	–	60,212
Derivative financial liabilities	1,874	1,707	14	3,595
Financial assets sold under repurchase agreements	273,364	–	–	273,364
Customer deposits	13,929,788	22,016	4,159	13,955,963
Debt securities issued	261,138	–	–	261,138
Other financial liabilities	45,368	2,377	3	47,748
Total financial liabilities	14,681,339	45,643	4,176	14,731,158
Net on-balance sheet position	799,502	32,988	(190)	832,300
Net notional amount of derivative financial instruments	16,615	(14,694)	(2,681)	(760)
Credit commitments	841,301	15,562	6,084	862,947

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41 Financial risk management (continued)

41.4 Market risk (continued)

Foreign exchange rate risk (continued)

Exchange rate sensitivity analysis

The table below indicates the potential effect of appreciation or depreciation of USD spot and forward exchange rate against RMB by 5% on net profit of the Group.

Exchange rate changes	As at June 30, 2024	As at December 31, 2023
5% of appreciation of USD against RMB	**(234)**	102
5% of depreciation of USD against RMB	**234**	(102)

The impact on the net profit arises from the effects of fluctuation in RMB exchange rate on the net positions of foreign monetary assets and liabilities. The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign exchange exposures, based on the management expectation of future foreign currency fluctuation. Therefore the above sensitivity analysis may differ from the actual situation.

41.5 Liquidity risk

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial bank at a reasonable cost in a timely manner to repay maturing debts, fulfill other payment obligations and meet other financial needs during normal business operation. Events or factors that cause the Group's liquidity risk include: deposit customers withdrawing deposits, loan customers withdrawing credit facilities, debtors failing to repay principal and interest, excessive mismatch of maturity of assets and liabilities, difficulty in disposal assets, deterioration in financing capability, etc. The objective of liquidity risk management of the Group is to meet the liquidity needs and fulfill its payment obligation to external parties during the normal operation or at a highly stressed condition which is achieved through the establishment of a scientific and comprehensive liquidity risk management mechanism, through which liquidity risk can be timely identified, measured and effectively mitigated. The Group adheres to prudent liquidity risk management strategy and effectively balances the rhythm and structure of capital source and utilization.

The Group conducts liquidity risk stress tests on a quarterly basis to identify potential liquidity risks and continually improve stress testing methods based on regulatory and internal management requirements. The stress test results show that under the various pressure scenario assumptions, the Group can pass the minimum life expectancy test.

The Group is mainly funded by personal deposits, which is considered a stable source of funding. On the other hand, the Group primarily invests in assets with high liquidity such as deposits with banks, and government bonds. During the reporting period, the Group's liquidity regulatory indicators were functioning normally, with sufficient liquidity as a whole and safe and controllable.

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

	As at June 30, 2024								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and deposits with central bank	-	55,161	79	1,292	1,207	-	-	1,251,018	1,308,757
Deposits with banks and other financial institutions	-	9,445	8,023	19,478	218,473	-	-	-	255,419
Placements with banks and other financial institutions	-	-	36,291	47,865	185,183	59,510	-	-	328,849
Derivative financial assets	-	-	500	443	551	1,965	-	-	3,459
Financial assets held under resale agreements	-	-	167,741	28,922	14,373	-	-	-	211,036
Loans and advances to customers	19,339	-	333,221	603,206	2,467,291	2,109,031	2,892,458	-	8,424,546
Financial assets measured at FVTPL	10	225,951	25,276	54,166	247,903	316,326	123,676	1,197	994,505
Financial assets measured at FVTOCI – debt instruments	-	-	14,090	36,553	148,810	298,834	18,378	-	516,665
Financial assets measured at FVTOCI – equity instruments	-	-	-	-	-	-	-	4,826	4,826
Financial assets measured at amortized cost	-	-	42,378	141,640	444,075	1,943,127	1,576,268	-	4,147,488
Other financial assets	1,912	32,136	708	4,212	286	562	4,644	602	45,062
Total financial assets	21,261	322,693	628,307	937,777	3,728,152	4,729,355	4,615,424	1,257,643	16,240,612
Borrowings from central bank	-	-	1,475	4,064	25,268	-	-	-	30,807
Deposits from banks and other financial institutions	-	116,754	1,818	771	2,396	41	-	-	121,780
Placements from banks and other financial institutions	-	-	18,692	8,261	34,396	200	-	-	61,549
Derivative financial liabilities	-	-	815	578	844	2,057	-	-	4,294
Financial assets sold under repurchase agreements	-	-	60,980	6,505	17,712	-	-	-	85,197
Customer deposits	-	4,029,780	682,898	1,168,089	7,683,130	1,301,163	-	-	14,865,060
Debt securities issued	-	-	-	1,792	709	9,999	119,991	-	132,491
Other financial liabilities	-	11,692	12,004	30,872	2,266	5,794	5,930	-	68,558
Total financial liabilities	-	4,158,226	778,682	1,220,932	7,766,721	1,319,254	125,921	-	15,369,736
Net liquidity	21,261	(3,835,533)	(150,375)	(283,155)	(4,038,569)	3,410,101	4,489,503	1,257,643	870,876

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41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (continued)

	As at December 31, 2023								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and deposits with central bank	–	89,131	–	745	1,507	–	–	1,246,118	1,337,501
Deposits with banks and other financial institutions	–	8,042	8,709	39,065	133,400	–	–	–	189,216
Placements with banks and other financial institutions	–	–	16,502	28,407	170,358	82,475	–	–	297,742
Derivative financial assets	–	–	190	130	543	1,291	–	–	2,154
Financial assets held under resale agreements	–	–	334,338	22,395	52,793	–	–	–	409,526
Loans and advances to customers	13,233	–	485,751	606,285	2,182,179	1,854,890	2,772,907	–	7,915,245
Financial assets measured at FVTPL	10	131,767	21,602	37,319	199,329	361,471	135,115	1,903	888,516
Financial assets measured at FVTOCI – debt instruments	–	–	18,622	41,806	74,113	356,675	12,320	–	503,536
Financial assets measured at FVTOCI – equity instruments	–	–	–	–	–	–	–	7,326	7,326
Financial assets measured at amortized cost	–	–	100,014	132,374	438,017	1,558,632	1,759,173	–	3,988,210
Other financial assets	1,792	14,006	363	2,631	243	487	4,651	313	24,486
Total financial assets	15,035	242,946	986,091	911,157	3,252,482	4,215,921	4,684,166	1,255,660	15,563,458
Borrowings from central bank	–	–	1,789	10,291	21,755	–	–	–	33,835
Deposits from banks and other financial institutions	–	88,496	11	1,866	4,796	134	–	–	95,303
Placements from banks and other financial institutions	–	–	23,252	9,775	27,134	51	–	–	60,212
Derivative financial liabilities	–	–	960	705	610	1,320	–	–	3,595
Financial assets sold under repurchase agreements	–	–	245,624	11,420	16,320	–	–	–	273,364
Customer deposits	–	4,077,821	1,334,047	2,448,410	4,717,812	1,377,873	–	–	13,955,963
Debt securities issued	–	–	1,089	90,632	39,426	10,000	119,991	–	261,138
Other financial liabilities	–	12,219	14,507	6,488	2,751	5,845	5,938	–	47,748
Total financial liabilities	–	4,178,536	1,621,279	2,579,587	4,830,604	1,395,223	125,929	–	14,731,158
Net liquidity	15,035	(3,935,590)	(635,188)	(1,668,430)	(1,578,122)	2,820,698	4,558,237	1,255,660	832,300

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of non-derivative financial assets and financial liabilities by remaining maturities

The Group manages its inherent liquidity risk in the short term based on the expected undiscounted cash flows.

	As at June 30, 2024								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and deposits with central bank	-	55,161	79	1,292	1,207	-	-	1,251,018	1,308,757
Deposits with banks and other financial institutions	-	9,445	8,035	19,821	221,566	-	-	-	258,867
Placements with banks and other financial institutions	-	-	36,314	49,755	188,911	60,573	-	-	335,553
Financial assets held under resale agreements	-	-	167,795	29,015	14,491	-	-	-	211,301
Loans and advances to customers	21,251	-	354,037	644,771	2,656,735	2,772,814	4,264,895	-	10,714,503
Financial assets measured at FVTPL	10	225,951	25,319	54,360	249,781	320,706	125,875	1,197	1,003,199
Financial assets measured at FVTOCI – debt instruments	-	-	14,129	36,962	154,217	311,102	19,024	-	535,434
Financial assets measured at FVTOCI – equity instruments	-	-	-	-	-	-	-	4,826	4,826
Financial assets measured at amortized cost	-	-	43,325	148,393	519,169	2,294,755	1,791,384	-	4,797,026
Other financial assets	-	32,136	708	4,212	286	562	4,644	602	43,150
Total non-derivative financial assets	21,261	322,693	649,741	988,581	4,006,363	5,760,512	6,205,822	1,257,643	19,212,616
Non-derivative financial liabilities									
Borrowings from central bank	-	-	1,476	4,076	25,543	-	-	-	31,095
Deposits from banks and other financial institutions	-	116,754	1,819	773	2,425	42	-	-	121,813
Placements from banks and other financial institutions	-	-	18,720	8,362	34,976	206	-	-	62,264
Financial assets sold under repurchase agreements	-	-	60,986	6,524	17,802	-	-	-	85,312
Customer deposits	-	4,029,780	683,459	1,171,943	7,774,322	1,364,178	-	-	15,023,682
Debt securities issued	-	-	-	2,095	2,484	27,076	139,475	-	171,130
Other financial liabilities	-	11,692	12,044	30,934	2,477	6,365	6,087	-	69,599
Total non-derivative financial liabilities	-	4,158,226	778,504	1,224,707	7,860,029	1,397,867	145,562	-	15,564,895
Net liquidity	21,261	(3,835,533)	(128,763)	(236,126)	(3,853,666)	4,362,645	6,060,260	1,257,643	3,647,721

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41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of non-derivative financial assets and financial liabilities by remaining maturities (continued)

	As at December 31, 2023								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and deposits with central bank	–	89,131	–	745	1,507	–	–	1,246,118	1,337,501
Deposits with banks and other financial institutions	–	8,042	8,714	39,454	135,561	–	–	–	191,771
Placements with banks and other financial institutions	–	–	16,520	30,300	174,760	83,547	–	–	305,127
Financial assets held under resale agreements	–	–	334,417	22,486	53,358	–	–	–	410,261
Loans and advances to customers	15,025	–	505,776	648,196	2,364,168	2,492,640	4,143,061	–	10,168,866
Financial assets measured at FVTPL	10	131,767	21,644	37,472	202,012	366,870	139,662	1,903	901,340
Financial assets measured at FVTOCI – debt instruments	–	–	18,845	42,884	80,650	379,643	13,104	–	535,126
Financial assets measured at FVTOCI – equity instruments	–	–	–	–	–	–	–	7,326	7,326
Financial assets measured at amortized cost	–	–	101,787	138,962	503,281	1,918,265	2,002,107	–	4,664,402
Other financial assets	–	14,006	363	2,631	243	487	4,651	313	22,694
Total non-derivative financial assets	15,035	242,946	1,008,066	963,130	3,515,540	5,241,452	6,302,585	1,255,660	18,544,414
Non-derivative financial liabilities									
Borrowings from central bank	–	–	1,791	10,320	22,037	–	–	–	34,148
Deposits from banks and other financial institutions	–	88,496	11	1,873	4,880	139	–	–	95,399
Placements from banks and other financial institutions	–	–	23,275	9,905	27,606	53	–	–	60,839
Financial assets sold under repurchase agreements	–	–	245,658	11,455	16,573	–	–	–	273,686
Customer deposits	–	4,077,821	1,335,343	2,456,327	4,776,398	1,441,085	–	–	14,086,974
Debt securities issued	–	–	1,090	91,326	41,303	27,355	141,579	–	302,653
Other financial liabilities	–	12,219	14,527	6,527	2,942	6,295	6,066	–	48,576
Total non-derivative financial liabilities	–	4,178,536	1,621,695	2,587,733	4,891,739	1,474,927	147,645	–	14,902,275
Net liquidity	15,035	(3,935,590)	(613,629)	(1,624,603)	(1,376,199)	3,766,525	6,154,940	1,255,660	3,642,139

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of derivative financial instruments by remaining maturities

Derivative financial instruments settled on a net basis

The fair values of the Group's derivative financial instruments that will be settled on a net basis are primarily related to changes in interest rates. The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	As at June 30, 2024					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivative financial instruments	**(9)**	**(26)**	**(76)**	**(65)**	**–**	**(176)**

	As at December 31, 2023					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivative financial instruments	(4)	7	(71)	(12)	–	(80)

Derivative financial instruments settled on a gross basis

The fair values of the Group's derivative financial instruments that will be settled on a gross basis are primarily related to changes in foreign exchange rates and interest rates. The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	As at June 30, 2024					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	**149,966**	**71,943**	**145,204**	**5,607**	**–**	**372,720**
– Cash outflow	**(150,605)**	**(71,816)**	**(145,585)**	**(5,626)**	**–**	**(373,632)**
Total	**(639)**	**127**	**(381)**	**(19)**	**–**	**(912)**

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41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of derivative financial instruments by remaining maturities (continued)

Derivative financial instruments settled on a gross basis (continued)

	As at December 31, 2023					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	61,477	25,633	50,295	–	137,406	274,811
– Cash outflow	(61,511)	(26,251)	(50,250)	–	(138,011)	(276,023)
Total	(34)	(618)	45	–	(605)	(1,212)

Credit commitments

The off-balance sheet items of the Group are listed in the following table by remaining contractual maturity, and the financial guarantees are listed in the notional amount according to the earliest contract expiration date:

	As at June 30, 2024			
	Within 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	**14,173**	**20,908**	**1,311**	**36,392**
Bank acceptances	**147,473**	**–**	**–**	**147,473**
Guarantees and letters of guarantee	**47,555**	**52,206**	**4,866**	**104,627**
Letters of credit	**117,206**	**–**	**–**	**117,206**
Unused credit card commitments	**489,486**	**–**	**–**	**489,486**
Total	**815,893**	**73,114**	**6,177**	**895,184**

	As at December 31, 2023			
	Within 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	30,028	23,328	1,311	54,667
Bank acceptances	161,994	–	–	161,994
Guarantees and letters of guarantee	46,881	39,043	4,956	90,880
Letters of credit	95,177	–	–	95,177
Unused credit card commitments	460,229	–	–	460,229
Total	794,309	62,371	6,267	862,947

41 Financial risk management (continued)

41.6 Operational risk

Operational risk refers to risks caused by inadequate or problematic internal procedures, employee misconduct and IT system failures, and external events. The types of operational risks that the Group may face include seven categories: internal fraud, external fraud, employment systems and workplace safety, customers, products and business activities, damage to physical assets, information technology system failures, execution, delivery and process management.

Guided by the operational risk appetite approved by the Board of Directors, the Group's senior management is mainly responsible for establishing and implementing the operational risk management policies and limits. The policies aim to continuously improve the internal control mechanism, reinforce the supervision and inspection framework, improve the information technology capability, enrich the basis of operation management, intensify monitoring reports, regulate staff behaviour, foster risk management culture and initiative awareness to regulations and ensure the security of business operation.

41.7 Fair value of financial instruments

Most of the balance sheet items of the Group are financial assets and financial liabilities. The fair value measurement of non-financial assets and non-financial liabilities will not have a significant impact on the Group's overall financial performance.

During the six-month period ended June 30, 2024 and the year ended December 31, 2023, there were no assets or liabilities which were discontinued being measured at fair value by the Group.

(1) Valuation techniques, parameters and processes

The fair value of financial assets and financial liabilities is determined according to the following methods:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded in an active market is determined by reference to the market price.

- For non-option derivative financial instruments, the fair value is determined by discounted cash flow analysis using the applicable yield curve within the term of the instrument.

- The fair value of other financial assets and financial liabilities is determined according to the generally accepted pricing model or the current market price observable for similar instruments based on the discounted cash flow analysis. If there is no observable market transaction price for similar instruments, the net assets are used for valuation, and the price is analyzed by the management.

The Group has established an independent valuation process for financial assets and financial liabilities to satisfy segregation of duties and relevant departments are respectively responsible for valuation, model validation and accounting treatment.

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41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(2) Fair value hierarchy

Financial instruments at fair value are classified into the following three levels of measurement hierarchy:

Level 1: Fair value is determined based on quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Where quoted prices are not available from open markets, the fair value of financial instruments is determined by valuation techniques.

(3) Financial assets and financial liabilities not measured at fair value on the statement of financial position

Financial assets and liabilities not measured at fair value mainly represent deposits with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers measured at amortized cost, financial assets measured at amortized cost, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits and debt securities issued.

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(3) Financial assets and financial liabilities not measured at fair value on the statement of financial position (continued)

The tables below summarize the carrying amounts and the fair values of the financial assets measured at amortized cost and debt securities issued which are not set out in the statement of financial position.

	As at June 30, 2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortized cost	**4,147,488**	**4,313,685**	**–**	**3,967,145**	**346,540**
Financial liabilities					
Debt securities issued	**132,491**	**138,442**	**–**	**138,442**	**–**

	As at December 31, 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortized cost	3,988,210	4,091,378	–	3,727,352	364,026
Financial liabilities					
Debt securities issued	261,138	263,681	–	263,681	–

Except for the financial assets and liabilities above, the fair value of other financial assets and financial liabilities not measured at fair value in the statement of financial position are determined using discounted future cash flows. There is no significant difference between their carrying amounts and fair value.

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41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured at their fair value on the statement of financial position.

	As at June 30, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers				
– Measured at FVTOCI	–	707,038	–	707,038
Financial assets measured at FVTPL				
– Debt securities	–	70,002	–	70,002
– Interbank certificates of deposits	–	137,866	–	137,866
– Asset-backed securities	–	2,518	–	2,518
– Fund investments	–	625,990	105,417	731,407
– Trust investment plans and asset management plans	–	–	50,165	50,165
– Wealth management products issued by financial institutions	–	1,350	–	1,350
– Equity instruments	365	–	832	1,197
Subtotal	365	837,726	156,414	994,505
Derivative financial assets				
– Exchange rate derivatives	–	1,273	–	1,273
– Interest rate derivatives	–	2,052	–	2,052
– Precious metal derivatives	–	134	–	134
Subtotal	–	3,459	–	3,459
Financial assets measured at FVTOCI – debt instruments				
– Debt securities	–	516,665	–	516,665
Financial assets measured at FVTOCI – equity instruments				
– Equity instruments	711	1,508	2,607	4,826
Total financial assets	1,076	2,066,396	159,021	2,226,493
Financial liabilities				
Derivative financial liabilities				
– Exchange rate derivatives	–	(1,701)	–	(1,701)
– Interest rate derivatives	–	(2,227)	–	(2,227)
– Precious metal derivatives	–	(366)	–	(366)
Total financial liabilities	–	(4,294)	–	(4,294)

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

	As at December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers				
– Measured at FVTOCI	–	737,448	–	737,448
Financial assets measured at FVTPL				
– Debt securities	–	73,304	–	73,304
– Interbank certificates of deposits	–	139,096	–	139,096
– Asset-backed securities	–	817	–	817
– Fund investments	–	522,160	99,390	621,550
– Trust investment plans and asset management plans	–	–	51,164	51,164
– Wealth management products issued by financial institutions	–	682	–	682
– Equity instruments	931	–	972	1,903
Subtotal	931	736,059	151,526	888,516
Derivative financial assets				
– Exchange rate derivatives	–	699	–	699
– Interest rate derivatives	–	1,448	–	1,448
– Precious metal derivatives	–	7	–	7
Subtotal	–	2,154	–	2,154
Financial assets measured at FVTOCI – debt instruments				
– Debt securities	–	503,536	–	503,536
Financial assets measured at FVTOCI – equity instruments				
– Equity instruments	3,291	1,437	2,598	7,326
Total financial assets	4,222	1,980,634	154,124	2,138,980
Financial liabilities				
Derivative financial liabilities				
– Exchange rate derivatives	–	(1,721)	–	(1,721)
– Interest rate derivatives	–	(1,489)	–	(1,489)
– Precious metal derivatives	–	(385)	–	(385)
Total financial liabilities	–	(3,595)	–	(3,595)

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41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

For financial instruments traded in active markets, the determination of fair values is based on quoted market prices. Where quoted prices are not available from open markets, the fair value of financial instruments is determined by valuation techniques.

Parameters used in valuation techniques mainly include debt securities prices, interest rates, exchange rates, equity prices, volatility level, correlation, pre-payment rate and counterparties' credit spread.

(a) Basis of determining the market price for recurring fair value measurements categorized within Level 1

Quoted prices are used for financial instruments with quoted prices in an active market.

(b) Valuation techniques, key parameters used for recurring fair value measurement categorized within Level 2

Financial investments

Financial investments using valuation techniques mainly consist of debt securities, interbank certificates of deposits, investment fund and equity instruments, etc. The fair value of RMB bonds and interbank certificates of deposits is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. The fair value of foreign currency bonds and interbank certificates of deposits is determined based on the valuation results of Bloomberg. The fair value of these bonds and interbank certificates of deposits is determined based on a valuation technique for which all significant inputs are observable market data. The fair value of the investment fund classified as Level 2 derived from the observable quoted price in market. The fair value of the equity instruments classified as Level 2 is measured by discounted cash flow method.

Derivatives

Derivatives using valuation techniques with market observable inputs are mainly foreign exchange forwards and swaps, interest rate swaps, cross currency interest rate swaps, and precious metals swaps, etc. The most frequently applied valuation techniques include discounted cash flow method and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Loans and advances to customers

The loans and advances to customers involving valuation techniques are mainly for trade finance and discounted bills. The fair value of these trade finance and discounted bills is measured by discounted cash flow method.

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below

June 30, 2024	Fair Value	Valuation technique	Unobservable inputs	
			Inputs	Relationship of unobservable inputs to fair value
Financial assets				
Financial assets measured at FVTPL				
– Fund investments	**105,417**	**(i)**	**Net assets**	**Positive correlation**
– Trust investment plans and asset management plans	**50,165**	**(i)**	**Net assets**	**Positive correlation**
– Equity instruments	**832**	**(i)**	**Net assets**	**Positive correlation**
Subtotal	**156,414**			
Financial assets measured at FVTOCI – equity instruments	**2,607**	**(i)**	**Net assets**	**Positive correlation**
Total	**159,021**			

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41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below (continued)

			Unobservable inputs	
December 31, 2023	**Fair Value**	**Valuation technique**	**Inputs**	**Relationship of unobservable inputs to fair value**
Financial assets				
Financial assets measured at FVTPL				
– Fund investments	99,390	(i)	Net assets	Positive correlation
– Trust investment plans and asset management plans	51,164	(i)	Net assets	Positive correlation
– Equity instruments	972	(i)	Net assets	Positive correlation
Subtotal	151,526			
Financial assets measured at FVTOCI – equity instruments	2,598	(i)	Net assets	Positive correlation
Total	154,124			

(i) The fair value of fund investments, trust investment plans and asset management plans, equity instruments measured at FVTPL, and equity instruments measured at FVTOCI are mainly determined using net asset method, where the significant unobservable inputs are the net assets.

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below (continued)

Changes in Level 3 are analyzed below:

	Six-month period ended June 30, 2024	
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI – equity instruments
Balance at the beginning of the period	**151,526**	**2,598**
Increased	**4,259**	**–**
Settled	**(919)**	**–**
Total gains or losses recognized in		
– Profit or loss	**1,548**	**–**
– Other comprehensive income	**–**	**9**
Balance at the end of the period	**156,414**	**2,607**
Total unrealized gains in profit or loss	**1,735**	**–**

	Year ended December 31, 2023	
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI – equity instruments
Balance at the beginning of the year	148,031	2,513
Increased	3,377	–
Settled	(3,911)	–
Total gains or losses recognized in		
– Profit or loss	4,029	–
– Other comprehensive income	–	85
Balance at the end of the year	151,526	2,598
Total unrealized gains in profit or loss	4,401	–

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41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(d) Transfers between Levels

During the period ended June 30, 2024 and the year ended December 31, 2023, there were no changes of fair value hierarchies.

41.8 Capital management

The Group's capital management aims at meeting regulatory requirements, continuously improving the ability to mitigate risks and increasing returns on capital. Accordingly, the Group has set its capital adequacy objectives and employed various means and methods to meet its management objectives, including performance assessment against plans and budgets, and limit management; to ensure its capital management meets external regulatory, credit rating, risk compensation and shareholders' value requirements; help drive risk management across the Group; ensure a disciplinary expansion of its assets; and continually improve its business structure and operating models.

The Group has maintained a relatively fast pace of development in terms of business scale in recent years with an increase in the demand of capital accordingly. In order to ensure that the Group meets regulatory capital adequacy requirements and maximises returns to shareholders without compromising its risk management, the Group makes strong efforts to promote the establishment of capital constraints system, enhances the management of both total amount and structure of risk assets, and promotes the transformation of its business model towards a capital efficient one through the comprehensive use of several measurement tools such as capital planning, limit management, economic capital management and estimation of internal capital adequacy, in order to ensure that the capital adequacy ratios meet the risk coverage and regulatory requirements continuously.

In accordance with the *Capital Rules for Commercial Banks* and the related provisions promulgated by the NAFR, and *Additional Regulations Supervision on Systemically Important Banks (for Trial Implementation)* (《系統重要性銀行附加監管規定(試行)》) issued by the PBOC and the former CBIRC, as at June 30, 2024, the Group's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be 8.00%, 9.00%, and 11.00%, respectively (In accordance with the *Capital Rules for Commercial Banks (Provisional)* and the related provisions promulgated by the former CBIRC, and Additional Regulations Supervision on Systemically Important Banks (for Trial Implementation), December 31, 2023: 8.00%, 9.00% and 11.00%, respectively). During the six-month period ended June 30, 2024, the Group continuously intensified the monitoring, analyzing and reporting of capital adequacy ratios, constantly optimized the risk asset structure, increases internal capital accumulation, and promoted the supplement of external capital, in order to ensure that the Group's capital adequacy ratio meets regulatory requirements and internal management needs.

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.8 Capital management (continued)

The Group's regulatory capital as calculated according to the Capital Rules for Commercial Banks promulgated by the NAFR at June 30, 2024 and according to the Capital Rules for Commercial Banks (Provisional) promulgated by the former CBIRC at December 31, 2023 is as follows:

		As at June 30, 2024	As at December 31, 2023
Core tier 1 capital adequacy ratio	(1)	**9.28%**	9.53%
Tier 1 capital adequacy ratio	(1)	**11.60%**	11.61%
Capital adequacy ratio	(1)	**14.15%**	14.23%
Core tier 1 capital		**806,100**	786,133
Deductions of core tier 1 capital	(2)	**(6,734)**	(6,027)
Core tier 1 capital – net		**799,366**	780,106
Additional tier 1 capital		**200,132**	170,152
Tier 1 capital – net		**999,498**	950,258
Tier 2 capital			
Directly issued qualifying tier 2 instruments including related premium		**119,991**	119,991
Excess provision for loan loss		**99,518**	94,824
Non-controlling interests recognized in tier 2 capital		**293**	331
Net capital	(3)	**1,219,300**	1,165,404
Risk-weighted assets	(4)	**8,613,974**	8,187,064

(1) Core tier 1 capital adequacy ratio is equal to net core tier 1 capital divided by risk-weighted assets; tier 1 capital adequacy ratio is equal to net tier 1 capital divided by risk-weighted assets; and capital adequacy ratio is equal to net capital divided by risk-weighted assets.

(2) Deductions of core tier 1 capital include other intangible assets (not including land use rights).

(3) Net capital is equal to total capital net of deductions from total capital.

(4) Risk-weighted assets include credit risk-weighted assets measured by standardized approach, market risk-weighted assets measured by standardized approach, and operational risk-weighted assets measured by standardized approach.

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42 Events after the end of the reporting period

(1) Issuance of bonds

On July 25, 2024, the Bank's subsidiary PSBC Consumer Finance publicly issued 2024 Financial Bonds (Series I) of RMB2 billion, with a term of 3 years, in the Domestic Interbank Bond Market. In accordance with the applicable laws and the approval of relevant authorities, the proceeds will be used to replenish the medium – and long-term capital of the issuer and for other purposes permitted by the regulatory organization, so as to further promote the development of its business.

(2) The Contribution of Subscription Capital for State-level Funds

In July 2024, the Bank completed the first instalment of contribution of RMB400 million to subscribe for the shares of the National Integrated Circuit Industry Investment Fund Phase III Co., Ltd.

Appendix: Supplementary Information

International Claims

The Bank regards all claims on third parties outside the Chinese mainland and claims denominated in foreign currencies on third parties in the Chinese mainland as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits and placements with banks and other financial institutions, investments in debt securities and others.

A country or geographical region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a 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.

In RMB million

	As at June 30, 2024			
	Official sector	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	7,777	76,041	34,056	117,874
– of which attributed to Hong Kong, China	4,599	15,772	11,393	31,764
North and South America	2,643	2,498	2,293	7,434
Europe	–	19,568	5,991	25,559
Other areas	233	–	–	233
Total	10,653	98,107	42,340	151,100

In RMB million

	As at December 31, 2023			
	Official sector	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	5,747	84,984	36,493	127,224
– of which attributed to Hong Kong, China	2,997	17,705	10,693	31,395
North and South America	2,829	4,963	651	8,443
Europe	–	14,948	7,418	22,366
Other areas	231	–	–	231
Total	8,807	104,895	44,562	158,264

Pillar 3 Information Disclosed Pursuant to the Rules on Capital Management of Commercial Banks

Based on the Basel III (final version) issued by the Basel Committee on Banking Supervision and the realities of China's banking industry, the NFRA promulgated the Rules on Capital Management of Commercial Banks (hereinafter referred to as the "Rules") on November 1, 2023. This section was prepared in accordance with the relevant concepts and rules regarding the capital adequacy ratio in the Rules, rather than financial reporting and accounting standards. Information disclosed by the Bank in accordance with the Information Disclosures and Requirements for Commercial Banks in Appendix 22 to the Rules and the requirements of relevant regulatory documents is as follow:

1. Table KM1: Key Prudential Regulatory Metrics at Consolidated Group Level

In RMB million, except for percentages or unless otherwise stated

		a As at June 30, 2024	b As at March 31, 2024
Available capital (amounts)			
1	Core tier 1 capital – net	799,366	802,322
2	Tier 1 capital – net	999,498	1,002,470
3	Net capital	1,219,300	1,221,214
Risk-weighted assets (amounts)			
4	Total risk-weighted assets	8,613,974	8,523,447
4a	Total risk-weighted assets (pre-floor)	8,613,974	8,523,447
Capital adequacy ratio			
5	Core tier 1 capital adequacy ratio (%)	9.28	9.41
5a	Core tier 1 capital adequacy ratio (%) (pre-floor ratio)	9.28	9.41
6	Tier 1 capital adequacy ratio (%)	11.60	11.76
6a	Tier 1 capital adequacy ratio (%) (pre-floor ratio)	11.60	11.76
7	Capital adequacy ratio (%)	14.15	14.33
7a	Capital adequacy ratio (%) (pre-floor ratio)	14.15	14.33
Additional capital requirements			
8	Capital conservation buffer requirement (%)	2.50	2.50
9	Countercyclical buffer requirement (%)	–	–
10	Bank G-SIB or D-SIB additional requirements (%)(1)	0.50	0.50
11	Additional capital requirements (%) (row 8 + row 9 + row 10)	3.00	3.00
12	Ratio of net core tier 1 capital available after meeting minimum capital requirements to risk-weighted assets (%)	4.28	4.41
Leverage ratio			
13	Balance of adjusted on- and off-balance sheet assets	17,155,120	16,951,270
14	Leverage ratio (%)(2)	5.83	5.91
14a	Leverage ratio a (%)(3)	5.83	5.91
14b	Leverage ratio b (%)(4)	5.83	5.95
14c	Leverage ratio c (%)(5)	5.83	5.95
Liquidity coverage ratio			
15	High-quality liquid assets	3,194,323	2,925,137
16	Net cash outflow	1,315,009	1,035,196
17	Liquidity coverage ratio (%)	242.91	282.57
Net stable funding ratio			
18	Total available stable funding	14,081,132	13,873,254
19	Total required stable funding	8,322,703	8,367,044
20	Net stable funding ratio (%)	169.19	165.81

Notes: (1) As at the end of the reporting period, the Bank was a Group II domestic systemically important bank, to which the additional capital requirement of 0.5 per cent applies.

(2) Leverage ratio refers to the leverage ratio taking into account the temporarily exempted deposit reserves.

(3) Leverage ratio a refers to the leverage ratio without taking into account the temporarily exempted deposit reserves.

(4) Leverage ratio b refers to the leverage ratio calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, taking into account the temporarily exempted deposit reserves.

(5) Leverage ratio c refers to the leverage ratio calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, without taking into account the temporarily exempted deposit reserves.

Appendix: Supplementary Information

2. Table OV1: Overview of Risk-Weighted Assets

In RMB million, except for percentages or unless otherwise stated

		a	b	c
		Risk-weighted assets		Minimum capital requirement
		As at June 30, 2024	As at March 31, 2024	As at June 30, 2024
1	Credit risk	8,060,984	7,972,545	644,879
2	Credit risk (excluding counterparty credit risk, credit valuation adjustment risk, asset management products in banking book and securitization exposures in banking book)	7,614,873	7,531,440	609,190
3	Of which: standardized approach	7,614,873	7,531,440	609,190
4	Of which: exposure formed in the settlement process of securities, commodities and foreign exchange transactions	–	–	–
5	Of which: amounts below the thresholds for deduction	166,748	251,343	13,340
6	Of which: foundation internal ratings-based approach	–	–	–
7	Of which: supervisory slotting approach	–	–	–
8	Of which: advanced internal ratings-based approach	–	–	–
9	Counterparty credit risk	14,133	3,574	1,131
10	Of which: standardized approach	14,133	3,574	1,131
11	Of which: current exposure approach	–	–	–
12	Of which: other approaches	–	–	–
13	Credit value adjustment	927	476	74
14	Asset management products in banking book	405,642	409,815	32,451
15	Of which: look-through approach	55,437	56,123	4,435
16	Of which: mandate-based approach	334,276	341,403	26,742
17	Of which: 1250% risk weight applied	15,929	12,289	1,274
18	Securitization exposures in banking book	25,409	27,240	2,033
19	Of which: securitization internal ratings-based approach	–	–	–
20	Of which: securitization external ratings-based approach	15,182	20,074	1,215
21	Of which: securitization standardized approach	10,227	7,166	818
22	Market risk	84,488	82,400	6,759
23	Of which: standardized approach	84,488	82,400	6,759
24	Of which: internal model approach	–	–	–
25	Of which: simplified standardized approach	–	–	–
26	Capital charge for switch between trading book and banking book	–	–	–
27	Operational risk	468,502	468,502	37,480
28	Additional adjustment due to the application of capital floor	–	–	
29	**Total**	8,613,974	8,523,447	689,118

3. Table CCA: Main Features of Regulatory Capital Instruments and of Other TLAC-eligible Instruments

In RMB million, except for percentages or unless otherwise stated

	a Ordinary shares (A shares)	b Ordinary shares (H shares)	c Undated capital bonds	d Undated capital bonds	e Undated capital bonds	f Undated capital bonds	g Undated capital bonds	h Tier 2 capital bonds	i Tier 2 capital bonds	j Tier 2 capital bonds	k Tier 2 capital bonds	l Tier 2 capital bonds
1 Issuer	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.
2 Unique Identifier	601658.SH	1658.HK	2028006.IB	2128011.IB	2228001.IB	242380019.IB	242400004.IB	2128028.IB	2128029.IB	2228017.IB	2228018.IB	232300009.IB
3 Governing law(s) of the instrument	PRC laws	PRC laws/laws of Hong Kong, PRC	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws
3a Means for disposal of other TLAC-eligible instruments governed by foreign law (laws other than enacted in the country of the disposal entity)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
4 Capital level	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5 Eligible at solo/group/ solo and group	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group	Solo and group
6 Instrument type	Core tier 1 capital instruments	Core tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
7 Amount recognized in regulatory capital (currency in RMB million, as of most recent reporting date)	RMB186,234	RMB75,606	RMB79,989	RMB29,997	RMB30,000	RMB30,000	RMB30,000	RMB49,996	RMB9,999	RMB34,997	RMB5,000	RMB19,999
8 Par value of instrument (currency in RMB million)	RMB79,305	RMB19,856	RMB80,000	RMB30,000	RMB30,000	RMB30,000	RMB30,000	RMB50,000	RMB10,000	RMB35,000	RMB5,000	RMB20,000
9 Accounting classification	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Liabilities measured at amortized cost	Liabilities measured at amortized cost	Liabilities measured at amortized cost	Liabilities measured at amortized cost	Liabilities measured at amortized cost
10 Original date of issuance	November 28, 2019	September 20, 2016	March 16, 2020	March 19, 2021	January 14, 2022	October 13, 2023	March 14, 2024	August 19, 2021	August 19, 2021	March 4, 2022	March 4, 2022	May 11, 2023
11 Dated or undated	Undated	Undated	Undated	Undated	Undated	Undated	Undated	With maturity date	With maturity date	With maturity date	With maturity date	With maturity date
12 Of which: original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	August 23, 2031	August 23, 2036	March 8, 2032	March 8, 2037	May 15, 2038
13 Issuer call subject to prior supervisory approval	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
14 Of which: optional call date, contingent call dates and redemption amount	Not applicable	Not applicable	The first redemption date is March 18, 2025, in full or in part	The first redemption date is March 23, 2026, in full or in part	The first redemption date is January 18, 2027, in full or in part	The first redemption date is October 17, 2028, in full or in part	The first redemption date is March 18, 2029, in full or in part	August 23, 2026 redemption in part or in full	August 23, 2031 redemption in part or in full	March 8, 2027 redemption in part or in full	March 8, 2032 redemption in part or in full	May 15, 2033 redemption in part or in full
15 Of which: subsequent call dates, if applicable	Not applicable	Not applicable	March 18 each year after the first redemption date, in full or in part	March 23 each year after the first redemption date, in full or in part	January 18 each year after the first redemption date, in full or in part	October 17 each year after the first redemption date, in full or in part	March 18 each year after the first redemption date, in full or in part	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Coupons/dividends												
16 Of which: fixed or floating coupons/dividends	Floating	Floating	Floating: the coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: the coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: the coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: the coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: the coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Fixed	Fixed	Fixed	Fixed	Fixed
17 Of which: coupon rate and any related index (i.e. the benchmark interest rate applied)	Not applicable	Not applicable	The coupon rate in the first 5 years is 3.69% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 125 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 4.42% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 133 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 3.46% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 83 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 3.42% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 88 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 2.73% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 51 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	3.44%	3.75%	3.54%	3.74%	3.39%
18 Of which: existence of a dividend stopper	Not applicable	Not applicable	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No
19 Of which: discretion to cancel coupons/dividends	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	No discretion	No discretion	No discretion	No discretion	No discretion
20 Of which: existence of incentive to redeem	No	No	No	No	No	No	No	No	No	No	No	No
21 Of which: cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Appendix: Supplementary Information

	a Ordinary shares (A shares)	b Ordinary shares (H shares)	c Undated capital bonds	d Undated capital bonds	e Undated capital bonds	f Undated capital bonds	g Undated capital bonds	h Tier 2 capital bonds	i Tier 2 capital bonds	j Tier 2 capital bonds	k Tier 2 capital bonds	l Tier 2 capital bonds
22 Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
23 Of which: if convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
24 Of which: if convertible, fully or partially	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25 Of which: if convertible, conversion rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26 Of which: if convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27 Of which: if convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28 Of which: if convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29 Write-down feature	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
30 Of which: if write-down, write-down trigger(s)	Not applicable	Not applicable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the NFRA having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable
31 Of which: if write-down, full or partial	Not applicable	Not applicable	Partial or full	Partial or full	Partial or full	Partial or full	Partial or full	Partial or full	Partial or full	Partial or full	Partial or full	Partial or full
32 Of which: if write-down, permanent or temporary	Not applicable	Not applicable	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
33 Of which: if temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33a Type of subordination	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned)	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital bonds) and additional tier 1 capital instruments	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital bonds) and additional tier 1 capital instruments	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds

4. Table CC1: Composition of Capital

In RMB million, except for percentages or unless otherwise stated

		a Amounts	b Code
Core tier 1 capital			
1	Valid portion of paid-in capital and capital reserve	261,840	e+g
2	Retained earnings	536,594	
2a	Surplus reserve	67,010	h
2b	General reserve	201,796	i
2c	Undistributed profits	267,788	j
3	Accumulated other comprehensive income	6,566	
4	Valid portion of minority interests	1,100	
5	Core tier 1 capital before deductions	806,100	
Core tier 1 capital: deductions			
6	Prudential valuation adjustments	–	
7	Goodwill (net of deferred tax liabilities)	–	
8	Other intangible assets (other than land use rights) (net of deferred tax liabilities)	6,734	a-b-d
9	Net deferred tax assets that rely on future profitability and arise from operating losses	–	
10	Cash flow hedge reserve that relates to the hedging of items that are not fair valued on the balance sheet	–	
11	Shortfall of provisions to expected losses	–	
12	Securitization gain on sale	–	
13	Unrealized gains and losses resulted from changes in the fair value of liabilities due to changes in the bank's own credit risk	–	
14	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	
15	Direct or indirect holdings of the bank's shares	–	
16	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–	
17	Deductible amount of core tier 1 capital for non-significant minority investments in the capital of unconsolidated financial institutions	–	
18	Deductible amount of core tier 1 capital for significant minority investments in the capital of unconsolidated financial institutions	–	
19	Deductible amount of other net deferred tax assets that rely on the bank's future profitability	–	

		a Amounts	b Code
20	Deductible amount of undeducted portion of core tier 1 capital for significant minority investments in the capital of unconsolidated financial institutions, as well as undeducted portion of other net deferred tax assets that reply on the bank's future profitability, the total of which exceeds 15% of core tire 1 capital	–	
21	Of which: deductible amount of significant minority investments in the capital of financial institutions	–	
22	Of which: deductible amount in net deferred tax assets that rely on the bank's future profitability	–	
23	The total of other items that should be deducted from core tier 1 capital	–	
24	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–	
25	Total deductions to core tier 1 capital	6,734	
26	Core tier 1 capital – net	799,366	
Additional tier 1 capital			
27	Additional tier 1 capital instruments and related premiums	199,986	
28	Of which: portion classified as equity	199,986	
29	Of which: portion classified as liabilities	–	
30	Valid portion of minority interests	146	
31	Additional tier 1 capital before deductions	200,132	
Additional tier 1 capital: deductions			
32	Direct or indirect investments in the bank's additional tier 1 capital	–	
33	Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	–	
34	Deductible amount of additional tier 1 capital for non-significant minority investments in the capital of unconsolidated financial institutions	–	
35	Additional tier 1 capital for significant minority investments in the capital of unconsolidated financial institutions	–	
36	The total of other items that should be deducted from additional tier 1 capital	–	
37	Undeducted shortfall that should be deducted from tier 2 capital	–	
38	Total deductions to additional tier 1 capital	–	
39	Additional tier 1 capital – net	200,132	
40	Tier 1 capital – net	999,498	
Tier 2 capital			
41	Tier 2 capital instruments and related premiums	119,991	
42	Valid portion of minority interests	293	
43	Valid portion of surplus provisions for loss	99,518	
44	Tier 2 capital before deductions	219,802	

		a Amounts	b Code
Tier 2 capital: deductions			
45	Direct or indirect investments in the bank's tier 2 capital	–	
46	Reciprocal cross-holdings in tier 2 capital and TLAC non-capital debt instruments between banks or between banks and other financial institutions	–	
47	Deductible amount of tier 2 capital for non-significant minority investments in the capital of unconsolidated financial institutions	–	
47a	Deductible amount of TLAC non-capital debt instruments for non-significant investments in the capital of unconsolidated financial institutions (applicable only for G-SIBs)	–	
48	Deductible amount of tier 2 capital for significant investments in the capital of unconsolidated financial institutions	–	
48a	Deductible amount of TLAC non-capital debt instruments for significant minority investments in the capital of unconsolidated financial institutions (applicable only for G-SIBs)	–	
49	The total of other items that should be deducted from tier 2 capital	–	
50	Total deductions to tier 2 capital	–	
51	Tier 2 capital – net	219,802	
52	Total capital – net	1,219,300	
53	Risk-weighted assets	8,613,974	
Capital adequacy ratio and additional capital requirements			
54	Core tier 1 capital adequacy ratio	9.28%	
55	Tier 1 capital adequacy ratio	11.60%	
56	Capital adequacy ratio	14.15%	
57	Additional capital requirements (%)		
58	Of which: capital conservation buffer requirement	2.50	
59	Of which: countercyclical buffer requirement	–	
60	Of which: bank G-SIB or D-SIB additional capital requirements	0.50	
61	Ratio of net core tier 1 capital available after meeting minimum capital requirements to risk-weighted assets (%)	4.28	
Domestic minimum requirements for regulatory capital			
62	Core tier 1 capital adequacy ratio	5.00%	
63	Tier 1 capital adequacy ratio	6.00%	
64	Capital adequacy ratio	8.00%	
Amounts below the thresholds for deduction			
65	Undeducted portion of non-significant minority investments in the capital of unconsolidated financial institutions	46,843	
65a	Undeducted portion of non-significant investments in TLAC non-capital debt instruments of unconsolidated financial institutions (applicable only for G-SIBs)	–	

		a Amounts	b Code
66	Undeducted portion of significant minority investments in the capital of unconsolidated financial institutions	–	
67	Other net deferred tax assets that rely on the bank's future profitability (net of deferred tax liabilities)	61,842	
Applicable caps on the inclusion of surplus provisions in tier 2 capital			
68	Surplus provisions for loss eligible for inclusion in tier 2 capital in respect of exposures subject to standardized approach	180,735	
69	Cap on inclusion of surplus provisions for loss in tier 2 capital under standardized approach	99,518	
70	Surplus provisions for loss eligible for inclusion in tier 2 capital in respect of exposures subject to internal ratings-based approach	–	
71	Cap on inclusion of surplus provisions for loss in tier 2 capital under internal ratings-based approach	–	

5. Table CC2: Differences Between the Scope of Accounting Consolidation and the Scope of Regulatory Consolidation

In RMB million, except for percentages or unless otherwise stated

		a Under the scope of accounting consolidation	b Under the scope of regulatory consolidation	c Code
Assets				
1	Cash and deposits with central bank	1,308,757	1,308,757	
2	Deposits with banks and other financial institutions	255,419	255,419	
3	Placements with banks and other financial institutions	328,849	328,849	
4	Derivative financial assets	3,459	3,459	
5	Financial assets held under resale agreements	211,036	211,036	
6	Loans and advances to customers	8,424,546	8,424,546	
7	Financial investments			
8	Financial assets held for trading	994,505	994,505	
9	Debt investments	4,147,488	4,147,488	
10	Other debt investments	516,665	516,665	
11	Investments in other equity instruments	4,826	4,826	
12	Long-term equity investment	695	695	
13	Fixed assets	42,495	42,495	
14	Construction in progress	14,506	14,506	
15	Right-of-use assets	9,992	9,992	
16	Intangible assets	8,484	8,484	a
17	Of which: land use rights	1,750	1,750	b
18	Deferred tax assets	61,842	61,842	
19	Other assets	79,965	79,965	
20	Total assets	16,413,529	16,413,529	
Liabilities				
21	Borrowings from central bank	30,807	30,807	
22	Deposits from banks and other financial institutions	121,780	121,780	
23	Placements from banks and other financial institutions	61,549	61,549	
24	Derivative financial liabilities	4,294	4,294	
25	Financial assets sold under repurchase agreements	85,197	85,197	
26	Customer deposits	14,865,060	14,865,060	

		a Under the scope of accounting consolidation	b Under the scope of regulatory consolidation	c Code
27	Employee benefits payable	21,090	21,090	
28	Tax payable	4,238	4,238	
29	Bonds payable	132,491	132,491	
30	Lease liabilities	9,448	9,448	
31	Deferred tax liabilities	13	13	
32	Of which: deferred tax liabilities related to goodwill	–	–	c
33	Of which: deferred tax liabilities related to intangible assets	–	–	d
34	Other liabilities	70,763	70,763	
35	Total liabilities	15,406,730	15,406,730	
Shareholders' equity				
36	Paid-in capital (or share capital)	99,161	99,161	
37	Of which: amount included in core tier 1 capital	99,161	99,161	e
38	Of which: amount included in other tier 1 capital	–	–	f
39	Other equity instruments			
40	Perpetual bonds	199,986	199,986	
41	Capital reserve	162,679	162,679	g
42	Other comprehensive income	6,566	6,566	
43	Surplus reserve	67,010	67,010	h
44	General risk reserve	201,796	201,796	i
45	Undistributed profits	267,788	267,788	j
46	Total shareholders' equity attributable to the Bank	1,004,986	1,004,986	
47	Minority interests	1,813	1,813	
48	Total shareholders' equity	1,006,799	1,006,799	
49	Total liabilities and shareholders' equity	16,413,529	16,413,529	

Note (1): Pursuant to the regulatory requirements, insurance companies and industrial and commercial enterprises should not be included under the scope of regulatory consolidation. As the Group does not have any subsidiaries of the above-mentioned type, the scope of regulatory consolidation is the same as the scope of accounting consolidation.

Note (2): Prepared in accordance with PRC GAAP.

6. Table CR5-2: Credit Risk Exposures and Credit Conversion Factors (by Risk Weights)

In RMB million, except for percentages or unless otherwise stated

		a	b	c	d
	Risk weight	On-balance sheet exposure	Off-balance sheet exposure (pre-conversion)	Weighted average credit conversion factor*	On- and off-balance sheet risk exposure (post-conversion and post-mitigation)
1	Less than 40%	7,816,419	1,166,218	17.37%	8,180,509
2	40-70%	1,396,336	376,373	49.02%	1,719,254
3	75%	2,375,718	905,549	15.15%	2,432,188
4	85%	382,989	30,071	34.17%	377,231
5	90-100%	2,778,179	454,697	43.68%	2,534,783
6	105-130%	638,598	22,708	28.84%	636,182
7	150%	71,453	18,749	10.01%	67,377
8	250%	67,653	–	–	67,653
9	400%	96	–	–	63
10	1250%	981	–	–	981
11	Total exposures	15,528,422	2,974,365	24.93%	16,016,221

* Weighted average credit conversion factor: Weighting is based on off-balance sheet exposure (pre-conversion).

7. Table CCR1: Counterparty Credit Risk Exposures (by Approach)

In RMB million, except for percentages or unless otherwise stated

		a	b	c	d	e	f
		Replacement cost (RC)	Potential future exposure (PFE)	Additional factors of potential future exposure (Add-on)	α used for computing regulatory exposure at default	Exposure at default post-credit risk mitigation	Risk-weighted assets
1	Standardized approach (for derivatives)	1,270	7,154		1.4	11,794	4,942
2	Current exposure approach (for derivatives)	–		–	1	–	–
3	Securities financing transactions					2,383	9,178
4	Total					14,177	14,120

Appendix: Supplementary Information

8. Table SEC1: Securitization Exposures in the Banking Book

In RMB million, except for percentages or unless otherwise stated

		a	b	c	d	e	f	g	h	i	j	k	l
		Bank acts as originator				Bank acts as sponsor				Banks acts as investor			
		Traditional	Of which simple, transparent and comparable (STC)	Synthetic	Sub-total	Traditional	Of which STC	Synthetic	Sub-total	Traditional	Of which STC	Synthetic	Sub-total
1	**Retail (total) - of which**	5,300	–	–	5,300	–	–	–	–	58,528	–	–	58,528
2	residential mortgage	4,901	–	–	4,901	–	–	–	–	16,654	–	–	16,654
3	credit card	144	–	–	144	–	–	–	–	35	–	–	35
4	other retail exposures	255	–	–	255	–	–	–	–	41,839	–	–	41,839
5	re-securitization	–		–	–	–		–	–	–		–	–
6	**Wholesale (total) - of which**	–	–	–	–	–	–	–	–	40,362	–	–	40,362
7	loans to corporates	–	–	–	–	–	–	–	–	9,341	–	–	9,341
8	commercial mortgage	–	–	–	–	–	–	–	–	–	–	–	–
9	lease and receivables	–	–	–	–	–	–	–	–	28,576	–	–	28,576
10	other wholesale	–	–	–	–	–	–	–	–	2,445	–	–	2,445
11	re-securitization	-		–	-	-		–	–	-		–	-

9. Table SEC2: Securitization Exposures in the Trading Book

In RMB million, except for percentages or unless otherwise stated

		a	b	c	d	e	f	g	h	i	j	k	l
		Bank acts as originator				Bank acts as sponsor				Banks acts as investor			
		Traditional	Of which STC	Synthetic	Sub-total	Traditional	Of which STC	Synthetic	Sub-total	Traditional	Of which STC	Synthetic	Sub-total
1	**Retail (total) - of which**	–	–	–	–	–	–	–	–	–	–	–	–
2	residential mortgage	–	–	–	–	–	–	–	–	–	–	–	–
3	credit card	–	–	–	–	–	–	–	–	–	–	–	–
4	other retail exposures	–	–	–	–	–	–	–	–	–	–	–	–
5	re-securitization	–		–	–	–		–	–	–		–	–
6	**Wholesale (total) - of which**	–	–	–	–	–	–	–	–	211	–	–	211
7	loans to corporates	–	–	–	–	–	–	–	–	–	–	–	–
8	commercial mortgage	–	–	–	–	–	–	–	–	–	–	–	–
9	lease and receivables	–	–	–	–	–	–	–	–	211	–	–	211
10	other wholesale	–	–	–	–	–	–	–	–	–	–	–	–
11	re-securitization	–		–	–	–		–	–	–		–	–

10. Table MR1: Market Risk Under Standardized Approach

In RMB million, except for percentages or unless otherwise stated

		a Capital requirement under standardized approach
1	General interest rate risk	835
2	Equity risk	-
3	Commodity risk	0
4	Foreign exchange risk	1,828
5	Credit spread risk – non-securitizations	2,437
6	Credit spread risk – securitizations (non-correlation trading portfolio)	2
7	Credit spread risk – securitization (correlation trading portfolio)	-
8	Default risk – non-securitizations	1,336
9	Default risk – securitizations (non-correlation trading portfolio)	1
10	Default risk – securitizations (correlation trading portfolio)	-
11	Residual risk add-on	320
12	**Total**	6,759

11. Table GSIB1: Disclosure of G-SIB Indicators

The G-SIB indicators of the Group for 2023 prepared in accordance with the latest requirements of the G-SIB Assessment Reporting Instructions for 2023 issued by the Basel Committee on Banking Supervision are as follows:

In RMB million

No.	Indicators	Amount of indicators
1	Balance of adjusted on- and off-balance sheet assets	16,444,628
2	Intra-financial system assets	2,565,107
3	Intra-financial system liabilities	185,484
4	Securities and other financing instruments issued	841,758
5	Assets under custody	4,681,763
6	Payments settled via payment systems or correspondent banks	99,445,582
7	Underwritten transactions in debt and equity markets	456,117
8	Trading volume of fixed-income securities	6,305,007
9	Trading volume of equity and other securities	824
10	Notional amount of over-the-counter derivatives	484,697
11	Level 3 assets	154,124
12	Trading and available-for-sale securities	339,377
13	Cross-jurisdictional claims	23,133
14	Cross-jurisdictional liabilities	12,152

Note: The above assessment indicators were calculated and disclosed in accordance with the G-SIB Assessment Reporting Instructions for 2023 issued by the Basel Committee on Banking Supervision, which were unaudited data and differed from the disclosure in the financial statements.

Appendix: Supplementary Information

12. Table LR1: Summary Comparison of Accounting Assets vs Leverage Ratio Exposure Measure

In RMB million, except for percentages or unless otherwise stated

		a
1	Total consolidated assets	16,413,529
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	9,872
5	Adjustments for securities financing transactions	2,383
6	Adjustments for off-balance sheet items	736,070
7	Adjustments for asset securitization transactions	–
8	Adjustments for unsettled financial assets	–
9	Adjustments for eligible cash pooling transactions	–
10	Adjustments for central bank reserves (if any)	–
11	Adjustments for prudent valuation adjustments and provisions	–
12	Other adjustments	(6,734)
13	**Balance of adjusted on- and off-balance sheet assets**	17,155,120

13. Table LR2: Leverage Ratio Common Disclosure

In RMB million, except for percentages or unless otherwise stated

		a As at June 30, 2024	b As at March 31, 2024
Balance of on-balance sheet assets			
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	16,463,032	16,120,752
2	Less: provisions associated with on-balance sheet exposures	(263,998)	(262,689)
3	Less: tier 1 capital deductions	(6,734)	(5,843)
4	Balance of adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)	16,192,300	15,852,220
Derivative exposures			
5	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin and/or with bilateral netting)	2,211	960
6	Add-on amounts for potential future exposure associated with all derivatives transactions	10,146	5,468
7	Gross-up for derivatives collateral provided where deducted from the balance sheet assets	–	–
8	Less: deductions of receivable assets for cash variation margin provided in derivatives transactions	–	–
9	Less: exempted central counterparties leg of client-cleared trade exposures	–	–
10	Effective notional amount of written credit derivatives	974	–
11	Less: adjusted effective notional deductions for written credit derivatives	–	–
12	Total derivative exposures	13,331	6,428

		a As at June 30, 2024	b As at March 31, 2024
Securities financing transaction exposures			
13	Accounting balance for securities financing transactions assets	211,036	471,512
14	Less: deducted amounts for securities financing transaction assets	–	
15	Counterparty credit risk exposure for securities financing transaction assets	2,383	4,788
16	Agent transaction exposures	–	–
17	Total securities financing transaction exposures	213,419	476,300
Off-balance sheet exposures			
18	Off-balance sheet exposure at gross notional amount	2,975,140	2,844,809
19	Less: adjustments for conversion to credit equivalent amounts	(2,233,491)	(2,223,582)
20	Less: provisions associated with off-balance sheet exposures	(5,579)	(4,905)
21	Adjusted off-balance sheet exposures	736,070	616,322
Tier 1 capital – net and balance of adjusted on- and off-balance sheet assets			
22	Tier 1 capital – net	999,498	1,002,470
23	Balance of adjusted on- and off-balance sheet assets	17,155,120	16,951,270
Leverage ratio			
24	Leverage ratio	5.83%	5.91%
24a	Leverage ratio a(1)	5.83%	5.91%
25	Minimum leverage ratio requirement	4.00%	4.00%
26	Applicable leverage buffers	0.25%	0.25%
Disclosure of various averages			
27	Daily average balances of securities financing transactions for the quarter	211,930	375,616
27a	Quarter-end value of securities financing transactions	211,036	471,512
28	Balance of adjusted on- and off-balance sheet assets a(2)	17,156,014	16,855,374
28a	Balance of adjusted on- and off-balance sheet assets b(3)	17,156,014	16,855,374
29	Leverage ratio b(4)	5.83%	5.95%
29a	Leverage ratio c(5)	5.83%	5.95%

(1) Leverage ratio a refers to the leverage ratio calculated using the quarter-end balance of securities financing transactions, without taking into account the temporary exemption of deposit reserves.

(2) Balance of adjusted on- and off-balance sheet assets a refers to the balance of adjusted on- and off-balance sheet assets calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, taking into account the temporary exemption of deposit reserves.

(3) Balance of adjusted on- and off-balance sheet assets b refers to the balance of adjusted on- and off-balance sheet assets calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, without taking into account the temporary exemption of deposit reserves.

(4) Leverage ratio b refers to the leverage ratio calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, taking into account the temporary exemption of deposit reserves.

(5) Leverage ratio c refers to the leverage ratio calculated using the simple arithmetic average of the daily balances of securities financing transactions during the latest quarter, without taking into account the temporary exemption of deposit reserves.

Appendix: Supplementary Information

14. Table LIQ1: Liquidity Coverage Ratio

In RMB million, except for percentages or unless otherwise stated

		a Total adjusted value As at June 30, 2024
1	High-quality liquid assets	3,194,323
2	Net cash outflow(1)	1,315,009
3	Liquidity coverage ratio (%)	242.91

Note (1): Net cash outflow represents net cash outflow for the next 30 days.

15. Table LIQ2: Net Stable Funding Ratio

In RMB million, except for percentages or unless otherwise stated

		a Total weighted value As at June 30, 2024	b Total weighted value As at March 31, 2024
1	Total available stable funding	14,081,132	13,873,254
2	Total required stable funding	8,322,703	8,367,044
3	Net stable funding ratio (%)	169.19	165.81

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