交通銀行
BANK OF COMMUNICATIONS

Bank of Communications Co., Ltd.

2023 ANNUAL REPORT

Stock Code:03328

CREATE SHARED VALUE

IMPORTANT REMINDERS

I. The Board of Directors, the Board of Supervisors and Directors, Supervisors, Senior Management of the Bank are responsible for the authenticity, accuracy and completeness of the Annual Report, free of false records, misleading statements or material omissions and assume individual and joint legal responsibilities.

II. The 2023 Annual Report and its summary of the Bank were reviewed and approved at the 12th Meeting of the 10th Session of the Board of Directors of the Bank on 27 March 2024. The number of directors who should attend the meeting was 18, with 18 directors attending the meeting in person.

III. Mr. Ren Deqi, Chairman of the Bank, Mr. Liu Jun, Principal in charge of accounting and Mr. Chen Yu, Head of Accounting Department represent that they are responsible for the authenticity, accuracy and completeness of the financial statements in the Annual Report.

IV. The Group's financial statements that were prepared in accordance with China Accounting Standards were audited by KPMG Huazhen LLP. Those prepared in accordance with International Financial Reporting Standards were audited by KPMG, both with unqualified auditor's reports issued.

V. The proposal on profit distribution for the year of 2023 was reviewed by the Board of Directors: based on the total issued ordinary shares of 74.263 billion of the Bank as at the end of the Reporting Period, a cash dividend of RMB0.375 (including tax) per share would be distributed to registered shareholders of A share and H share, totalling RMB27.849 billion. There is no proposal on bonus share or proposal on conversion of capital reserve into share capital for the current year.

VI. Prospective statements involved in the report, such as future plans and development strategies, do not constitute a substantive commitment of the Group to investors. Investors and stakeholders are required to keep sufficient risk awareness and understand the differences between plan, forecasting and commitment.

VII. The Group's operation is mainly exposed to risks including credit risk, market risk, operational risk and compliance risk. The Group has taken and will continue to take various steps to effectively manage risks. For more details which requires investors' attention, please refer to the section of "Management Discussion and Analysis – Risk Management".

Contents

DEFINITIONS

The following terms will have the following meanings in this report unless otherwise stated:

"Bank", "BoCom"	Bank of Communications Co., Ltd.
"Group"	The Bank and its subsidiaries
"Ministry of Finance"	Ministry of Finance of the People's Republic of China
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"SSF"	The National Council for Social Security Fund
"PBOC"	The People's Bank of China
"NAFR"	National Administration of Financial Regulation
"CSRC"	China Securities Regulatory Commission
"SSE"	The Shanghai Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules"	*The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*
"Corporate Governance Code"	Appendix C1 Corporate Governance Code of Hong Kong Listing Rules
"the Articles of Association"	The Articles of Association of Bank of Communications Co., Ltd.
"Win to Fortune"	A corporate and interbank wealth management brand of the Bank, providing comprehensive one-stop wealth management solutions for corporate, government institutions and interbank financial customers through intelligent financial service and digital transformation.
"OTO Fortune"	A main brand of retail business of the Bank with the core value of "creating and sharing abundant wealth with noble virtue" devoted to realising value maintenance and appreciation of wealth for customers.
"BoCom Yinongtong"	The Bank's unified brand of inclusive finance, comprising the online product "Inclusive e-Loan" and the offline product.
"BoCom Zhanyetong"	The Bank's unified brand of rural rejuvenation, comprising the online product "Xingnong e-Loan" and the offline product.
"Personal Mobile Banking"	A mobile APP providing online business processing and other services to personal customers of the Bank and covering a variety of financial products and life service needs of customers.
"Corporate Mobile Banking"	A portable and convenient channel providing online account opening, account enquiry, reconciliation management, transfer and payment, wealth management and investment, financial information, business signing and termination for corporate customers through APPs on mobile phones and tablet computers, with close and convenient channels.
"Corporate Online Banking"	An electronic transaction system of the Bank providing financial services such as account enquiry, corporate payment, cash management, international business, wealth management and investment and financial services for corporate customers through the Internet.
"Go Pay"	A one-stop digital service platform of finance and life for all customers.
"Benefit Loan"	An online credit consumption loan product of the Bank for qualified customers.
"BOCOM On-cloud"	An online and offline service brand, practicing the service concept of "institution online, employee online, product online, and service online", building a "cloud outlet, cloud teller, and cloud butler" system based on remote video services, meeting customers' on-line and digitalised service needs through a new mode of online service as screen-to-screen service.
"Yuan"	Renminbi Yuan (RMB)

This annual report is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version should prevail.

GENERAL INFORMATION

I. CORPORATE INFORMATION

Chinese name: 交通銀行股份有限公司

Chinese abbreviation: 交通銀行

English name: Bank of Communications Co., Ltd.

Legal representative: Ren Deqi

Authorised representatives: Ren Deqi, He Zhaobin

Secretary of the Board of Directors and Company Secretary: He Zhaobin

Registered address: 188 Yin Cheng Zhong Lu, (Shanghai) Pilot Free Trade Zone, PRC

Contact and address:

188 Yin Cheng Zhong Lu, Pudong New District, Shanghai

Postal code: 200120

Tel: 86-21-58766688

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E-mail: investor@bankcomm.com

Official website: www.bankcomm.com, www.bankcomm.cn

Principal place of business in Hong Kong: 20 Pedder Street, Central, Hong Kong

Information Disclosure Channels and Places Where the Annual Report is Available

A share: *China Securities Journal, Shanghai Securities News, Securities Times* and website of the SSE at www.sse.com.cn

H share: Website of HKEXnews at www.hkexnews.hk

Places where the annual report is available: Board of Directors Office of the Bank and principal business locations

Information of Shares

Stock exchange	Stock exchange	Stock name	Stock code
A Share	Shanghai Stock Exchange	Bank of Communications	601328
H Share	The Stock Exchange of Hong Kong Limited	BANKCOMM	03328
Domestic Preference Share	Shanghai Stock Exchange	BOCOM PREF1	360021

Domestic auditor: KPMG Huazhen LLP
8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, PRC

Name of auditor signed: SHI Haiyun, Li Li

International auditor: KPMG
(Registered Public Interest Entity Auditor)
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, PRC

Name of auditor signed: Chan Siu Tung Thomas

PRC legal advisor: AllBright Law Offices

Hong Kong legal advisor: DLA Piper Hong Kong

Share Registrar and Transfer Office

A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
No. 188 South Yanggao Road, Pudong New District, Shanghai, P.R. China

H Share: Computershare Hong Kong Investor Services Limited
Flat 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Other Information

Unified social credit code: 9131000010000595XD

GENERAL INFORMATION

II. COMPANY PROFILE AND PRINCIPAL ACTIVITIES

Founded in 1908, the Bank is one of banks with the longest history in modern China. The Bank reopened after reorganisation on 1 April 1987 and became the first nationwide state-owned joint-stock commercial bank in China, with Head Office located in Shanghai. The Bank was listed on the Hong Kong Stock Exchange in June 2005 and on the Shanghai Stock Exchange in May 2007. In 2023, the Bank ranked 9th among global banks in terms of tier-1 capital.

Guided by the strategic goal of "building a world-class banking group with distinctive advantages", the Group regarded green finance as the keynote for operation development, continued to build four major business characteristics, which include inclusive finance, trade finance, sci-tech finance and wealth finance. The Group continuously improved the five professional capabilities of customer management, technology leadership, risk management, co-operation and resource allocation. With the construction of "Shanghai Base" and digital transformation as strategic breakthroughs, the Group was guided towards a high-quality development.

Upon approval by the NAFR, the Bank provides comprehensive financial services including deposits and loans, supply chain finance, cash management, international settlement and trade financing, investment banking, asset custody, wealth management, bank cards, private banking, treasury businesses, etc. for 2.6192 million corporate customers and 192 million retail customers through online service channels such as mobile banking and online banking, as well as over 2,800 domestic outlets and 23 overseas branches (subsidiaries) and representative offices. The Group is involved in businesses such as financial leasing, fund, wealth management, trust, insurance, overseas securities, and debt-to-equity swap through wholly-owned or controlling subsidiaries.

As a long-standing large-scale state-owned banking group with a long history, the bank will always keep in mind the "country's most fundamental interests", maintain strategic stability, strengthen comprehensive risk controls, practice the concept of "providing finance for the people", strive to provide high-quality services to our customers, create more value for shareholders, build a happy home for employees, and make greater contributions to society.

During the Reporting Period, the Group's operating mode, primary businesses and key performance drivers had no significant change.

III. HONOURS AND REWARDS

TOP 9

Top 1000 World Banks 2023 (ranked 9)
The Banker (UK)

First Prize of Shanghai Financial Innovation
Shanghai Municipal People's Government

First Prize of FinTech Development Award
The People's Bank of China

Best Personal Mobile Banking Award
China Financial Certification Authority

Best Corporate Mobile Banking and Corporate Internet Banking Awards
China Financial Certification Authority

Data Governance Best Practice Award
International Data Management Association

Best Custodian, Pension, China
The Asset

ESG Best Practice Examples for Listed Companies 2023
China Listed Companies Association

Bank of Communications Financial Leasing Co., Ltd.

Gold Medal List of Chinese Financial Institutions "Best Financial Leasing Company of the Year"
Financial Times

Banking ESG Practices – Green Finance Exemplary Award
China Banking and Insurance News

Best Financial Leasing Company of the Year
Global Leasing Industry Competitiveness Forum

Bank of Communications Schroder Fund Management Co., Ltd.

Golden Bull Fund Management Company
China Securities Journal

Top 10 Star Fund Company Award
Securities Times

Golden Fund Top Company Award
Shanghai Securities Journal

BOCOM Wealth Management Co., Ltd.

Golden Bull Award on Bank Wealth Management Company
China Securities Journal

The Golden Shell Award on Excellent Wealth Management Company in 2023
21st Century Business Herald

Bank of Communications International Trust Co., Ltd.

Integrity Trust • Excellent Company Award
Shanghai Securities News

Golden Bull Award for One-Year Trust TOF/FOF Products
China Securities Journal

Top Ten Family Trust Management Innovation Award
The Banker

BOCOM MSIG Life Insurance Company Limited

Examples of Excellence in ESG Practices
The Financial Sector

Gold Medal Insurance Product Ark Award
Securities Times

FINANCIAL HIGHLIGHTS

I. KEY FINANCIAL DATA AND FINANCIAL INDICATORS

The Group has implemented IFRS 17 – Insurance Contracts and its amendments as of January 1, 2023, which was issued by IASB in May 2017 and June 2020 (the "new insurance contracts standard"). The new insurance contracts standard mainly includes the following revisions: 1. adjusting the guidelines for recognising the revenue arising from insurance services; and 2. revising the method of measuring liabilities arising from insurance contracts. These changes in accounting policies did not have any material impact on the Group's financial position and operating results. In accordance with the transition provisions, the Group made retrospective adjustments to and re-presented the financial reports for each period of 2022 in accordance with the new insurance contracts standard, and the relevant data for the year 2022 in this announcement have been re-presented in accordance with the financial reports retrospectively adjusted.As at the end of the Reporting Period, key financial data and financial indicators prepared by the Group under IFRSs are as follows:

Items	2023	2022 (Restated)	2022 (Before restatement)	2021	2020	2019
Full year results						*(in millions of RMB)*
Net interest income	**164,123**	169,882	169,937	161,693	153,336	144,083
Net fee and commission income	**43,004**	44,855	44,639	47,573	45,086	43,625
Net operating income	**258,014**	257,346	273,528	269,748	246,724	232,857
Credit impairment losses	**56,908**	60,411	60,411	66,371	62,059	51,954
Operating expenses	**77,369**	76,151	76,825	74,545	66,004	66,560
Profit before tax	**99,698**	98,115	98,215	93,959	86,425	88,200
Net profit (attributable to shareholders of the Bank)	**92,728**	92,102	92,149	87,581	78,274	77,281
As at the end of the year						*(in millions of RMB)*
Total assets	**14,060,472**	12,991,571	12,992,419	11,665,757	10,697,616	9,905,600
Loans and advances to customers[1]	**7,957,085**	7,294,965	7,296,155	6,560,400	5,848,424	5,304,275
Total liabilities	**12,961,022**	11,958,049	11,956,679	10,688,521	9,818,988	9,104,688
Deposits from customers[1]	**8,551,215**	7,949,072	7,949,072	7,039,777	6,607,330	6,072,908
Shareholders' equity (attributable to shareholders of the Bank)	**1,088,030**	1,022,024	1,023,409	964,647	866,607	793,247
Per share						*(in RMB)*
Earnings per share (attributable to the ordinary shareholders of the Bank)[2]	**1.15**	1.14	1.14	1.10	0.99	1.00
Net assets per share (attributable to the ordinary shareholders of the Bank)[3]	**12.30**	11.41	11.43	10.64	9.87	9.34

FINANCIAL HIGHLIGHTS

Items	2023	2022 (Restated)	2022 (Before restatement)	2021	2020	2019
Key financial ratios						(%)
Return on average assets	**0.69**	0.75	0.75	0.80	0.77	0.80
Return on weighted-average shareholders' equity[2]	**9.68**	10.34	10.33	10.76	10.35	11.20
Net interest margin[4]	**1.28**	1.48	1.48	1.56	1.57	1.58
Cost-to-income ratio[5]	**30.04**	29.65	28.14	27.67	26.81	28.63
Non-performing loan ratio	**1.33**	1.35	1.35	1.48	1.67	1.47
Provision coverage ratio	**195.21**	180.68	180.68	166.50	143.87	171.77
Capital adequacy ratios				*(in millions of RMB unless otherwise stated)*		
Net capital[6]	**1,351,116**	1,250,317	1,250,317	1,139,957	1,021,246	911,256
Including: Net common equity tier-1 capital[6]	**905,394**	840,164	840,164	783,877	727,611	689,489
Other tier-1 capital[6]	**176,289**	176,480	176,480	176,348	134,610	100,057
Tier-2 capital[6]	**269,433**	233,673	233,673	179,732	159,025	121,710
Risk-weighted assets[6]	**8,850,786**	8,350,074	8,350,074	7,379,912	6,695,462	6,144,459
Capital adequacy ratio (%)[6]	**15.27**	14.97	14.97	15.45	15.25	14.83
Tier-1 capital adequacy ratio (%)[6]	**12.22**	12.18	12.18	13.01	12.88	12.85
Common equity tier-1 capital adequacy ratio (%)[6]	**10.23**	10.06	10.06	10.62	10.87	11.22

Notes:

1. Loans and advances to customers do not include interest receivable of related loans and advances. Deposits from customers include interest payable of related deposits.
2. Calculated pursuant to the requirements of *Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision)* issued by the China Securities Regulatory Commission (the "CSRC").
3. Refer to shareholder's equity attributable to the ordinary shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares as at the end of the period.
4. Represented the ratio of net interest income to total average interest-bearing assets.
5. Calculated pursuant to China Accounting Standards, as business and management fees divided by operating income, which is consistent with the financial report prepared under China Accounting Standards.
6. Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (for Trial Implementation)* by the Regulatory Authorities.

STATEMENT FROM CHAIRMAN OF THE BOARD OF DIRECTORS

Ren Deqi
Chairman of the Board of Directors

In 2023, BoCom strictly abided by the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and fully implemented the spirit of the 20th National Congress of the Communist Party of China, the Central Financial Work Conference and the Central Economic Work Conference. The Bank adhered to the general principle of making progress while maintaining stability and coordinating development with security. With concerted efforts across the entire Bank, we successfully achieved the Group's operating targets. We were able to "make progress and improve quality while maintaining stability". Our comprehensive strength has reached a new level. The Group's total assets exceeded RMB14 trillion; both net operating income and net profit achieved positive growth; and the non-performing loan ratio declined steadily. These trends signify the Group's stable upward development, as well as its positive prospects going forward. We were identified as a global systemically important bank (G-SIB) for the first time and ranked 9th in the "Top 1000 World Banks" published by The Banker magazine in the UK, demonstrating market recognition of our persistent efforts. The capital market also provided positive feedback on BoCom's stable development and long-term investment value, as our A-share and H-share prices rose by 29% and 17% respectively in 2023.

By focusing on our strategic features, we consistently optimised our business structure and implemented strategies more effectively. We fulfilled our responsibilities as a leading state-owned bank. We implement the Group's "14th Five-Year Plan", build business strength in inclusive finance, trade finance, sci-tech finance and wealth finance, strengthen the foundation for green finance, and closely integrate all the aforementioned efforts with the implementation of the "five priorities" of finance. The Bank provided precise support to the real economy, while improving the coverage and convenience of inclusive financial services. The balance of inclusive loans provided to small and micro enterprises rose by 29%, and the number of loan customers increased by 17%, as compared with the end of the previous year. The growth of the Bank's consumption loans and business operating loans reached the highest level in its history, with the former increasing by 86% compared with the end of the previous year. By deeply participating the new "dual circulation" development, the Bank took measures to strengthen, supplement and extend the industrial chain, resulting in the rapid development of our industrial chain of the financing business. We focused on supporting high-level technological self-reliance and self-improvement as well as building the "BoCom Sci-tech Innovation" product series. As a result, the Bank's balance of strategic emerging industry loans increased by 31% compared with the end of the previous year, with "SRDI (specialized, refined, differential, innovative)" small and medium-sized enterprises loans growing rapidly. We meet the diversified needs of wealth management and its individual financial assets under management (AUM) increased by 8% over the end of the previous year. We also enhanced financial support for the low-carbon transformation of traditional industries and innovative development of green industries. The balance of green loans grew by nearly 30% over the end of the previous year.

With construction of "Shanghai Base" and digital transformation as strategic breakthroughs, we drive the Bank's strategic initiatives. To this end, we fully leveraged the advantages of "Shanghai Base" and supported the development of the "five centres" in the city. Meanwhile, we focused on areas such as "Credit for Medical Treatment", sci-tech finance, BOCOM-Government Connect, consumption and pensions to encourage innovative business to take root in the entire Bank. Business contributed by Shanghai continued to increase, with the net operating income of the Shanghai branch accounting for 10.5% of domestic branches. In addition, to align with trends in the digital economy, we consistently promoted the establishment of a new digitalised BoCom. To this end, we focused on prioritizing the retail business to develop a digital operating system and promote the overall construction of the enterprise-level structure, middle office and product factory. The Bank also launched new versions of personal mobile banking, corporate mobile banking and corporate online banking, and cultivated strong connectivity between BoCom On-cloud and physical outlets. We also continued to enhance our application of artificial intelligence (AI) in scenarios such as customer service, risk mitigation and control, and improve our online, scenario-based and intelligent services.

STATEMENT FROM CHAIRMAN OF THE BOARD OF DIRECTORS

We strengthened risk management and closely monitored and managed the source of risk, so as to consolidate the foundation for strategic implementation. We continued to improve the Group's comprehensive risk management system and implemented the "four early" requirements in order to strengthen risk mitigation and control in key areas, promote standardized risk governance in subsidiaries, and strengthen the prudent and compliant operations of overseas branches. We also continuously enhanced our core capabilities in risk management, achieved orderly progress in the digital transformation of risk management, and improved our internal control and compliance management system. In addition, we achieved remarkable results in our "Year of Asset Quality Consolidation" campaign, with the Group's non-performing loan ratio decreasing by 0.02 percentage point from the previous year to 1.33%, and the provision coverage ratio increasing by 14.53 percentage points over the previous year to 195.21%.

We fulfilled our social responsibility, pursued our mission and promoted shared prosperity. We have supported programs for persons with disabilities for 16 consecutive years and donated a total of RMB112 million to the China Foundation for Disabled Persons. The Bank has also followed the political and people-oriented principle of protecting the rights and interests of financial consumers and was rated A in the People's Bank of China's Consumer Protection Rating. We actively supported rural revitalisation, social welfare initiatives, as well as rescue and disaster relief efforts. We donated more than RMB58 million to public welfare initiatives. We also continued to pursue innovation of rural financial products and services, and we strived to provide diversified and comprehensive financial support for "agriculture, rural areas and farmers". Due to our active efforts to support comprehensive rural revitalisation, agriculture-related loans recorded double-digit growth for the third consecutive year.

We receive care and support from the community during this year. The Board of Supervisors precisely and effectively carried out its duties, Senior Management and all staff devoted to their duties diligently, contributing significantly to the reform and development of BoCom. On behalf of the Board of Directors, I would like to extend my deep gratitude to each of these individuals. In 2023, the Board of Directors recommended a distribution of cash dividends of RMB0.375 per ordinary share, totaling RMB27.849 billion, which represented 32.67% of the net profit. BOCOM has always shared the achievements of reform and development with shareholders and has remained cash dividend ratio above 30% for 11 consecutive years.

In 2024, the external environment will be more complicated, tough and uncertain. The domestic economic cycle faces various obstacles, coupled with inadequate market demand, overcapacity in some industries, weak social expectations and the emergence of potential risks. However, with the rapid development of new quality productive forces, the quick implementation of policy packages to drive market demand, the continuous implementation of macroeconomic policies, the opportunities brought by development in key areas, and the implementation of major risk mitigation and control policies, China's economy will continue to improve and its long-term positive outlook remains unchanged. We are confident in this trend because the favourable factors outweigh the unfavourable factors, and there are more opportunities than challenges. The country's economy still has huge untapped potential; and going forward, policy implementation and structural adjustments will bring about broader prospects for business development. Against this backdrop, we will scientifically analyze the market landscape, seize development opportunities, focus on effectively implementing the "five priorities" of finance, effectively promote the "One-Four-Five" strategy, deepen reform and innovation, drive transformation and development, and forge ahead in building a world-class banking group with distinctive strengths.

—— Continue to build strategic features. Going forward, the Bank will focus on the virtuous circle of "Sci-tech – Industry – Finance" to build a sci-tech financial service system that aligns with national sci-tech policies and meets the needs of sci-tech enterprises. Meanwhile, we will consistently integrate green development concepts into business development and operations to support the achievement of the "dual carbon" goals. We will also focus on the principles and development goals of inclusive finance to improve relevant mechanisms so as to expand our inclusive finance to better meet the diversified financial needs of the public and the real economy. Moreover, the Bank will further deepen its business for elderly customers and build a set of elderly financial products, services and promotional activities to create an elderly financial service brand. We will also deeply integrate into the overall plan for building a Digital China and promote all-round transformation in financial services, product offerings, business operations and management that are driven by both data and technology. In this way, we aim to increase efficiency and empower high-quality development.

—— Leverage the leading role of the "Shanghai Base" to drive high-quality development for the bank. We will continue to deeply integrate into the development of the "five centres" in Shanghai, and seize the opportunities brought about by the comprehensive pilot reforms of Pudong, the development of new quality productive forces, and the construction of a global offshore innovation base in Lin-Gang Special Area to improve the allocation of global resources. In addition, the Bank will optimise the "one thing" mechanism and promote the innovation achievements to reach a new level of business development. We will also align our efforts with the national strategy of regional coordinated development and leverage our experience in Shanghai Base to accelerate business development in key regions.

—— Continue to strengthen risk prevention and control to safeguard financial stability. In the coming year, we will adhere to a systematic approach in order to strengthen the comprehensive risk governance system, address weaknesses in governance, improve professional capabilities, focus on key areas, strengthen risk source control, and strictly adhere to the bottom line of preventing systemic financial risks.

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, and it is also an important year for the implementation of the Group's 14th "Five-Year Plan". We believe that grand aspirations make for grand contributions, and that exceptional diligence begets exceptional achievements. In 2024, we will resolutely follow the path of Chinese-style financial development, and we will be neither tempted by fanciful ideas nor guided by falsehoods. Overall, we will strive to accelerate the development as a world-class banking group with distinctive strengths, in order to make a greater contribution to the effort to build China into a strong financial power and rejuvenate the nation!

STATEMENT FROM THE PRESIDENT

Liu Jun
President

In 2023, amid a complex and dynamic business landscape, BOCOM delivered encouraging results that demonstrated strong resilience and vitality. With the support of our shareholders and customers, as well as for the diligent work of all our colleagues, we support Chinese-style modernisation with financial services. During the year, we transformed the blueprint that was drawn up at the beginning of the year into real and high-quality results. At the end of 2023, the Group's total assets increased by 8.23% over the end of the previous year to RMB14.06 trillion, and net profit attributable to the parent company increased by 0.68% on a year-on-year basis to RMB92.728 billion. Meanwhile, the Group's non-performing loan ratio decreased by 2 basic points over the end of the previous year to 1.33%, and the provision coverage ratio increased by 14.53 percentage points over the end of the previous year to 195.21%. Our tier-1 capital ranked 9th in the "Top 1000 World Banks" published by The Banker magazine in the UK, and we were identified as a global systemically important bank (G-SIB) for the first time, demonstrating market recognition of the Group's stable, positive business operations. Our profile in the global banking industry has continued to rise, and we have strengthened our leading position in the international financial centre of Shanghai.

Over the past year, we devoted to our original mission of stimulating the real economy with financial services. We made every effort to empower market players and drive the market cycle, align with key national strategies, contribute to a better life for the people, and consistently improve the coverage, availability and convenience of our financial services. The balance of RMB loans increased by 10.54%, and RMB bond investment increased by 7.1%, as compared with the beginning of the year. We expedited our effort to cultivate new quality productive forces, integrated and strengthened the "BoCom Sci-tech Innovation" brand, and developed synergies among stock, bonds, loan, custody and lease businesses. The balance of loans extended to the manufacturing sector, strategic emerging industries, "specialised and new" small and medium-sized enterprises (SMEs), and green initiatives increased by 15.59%, 31.12%, 73.95% and 29.37% respectively over the beginning of the year, and business volume of industrial chain financing increased by 21.2% year-on-year. We innovatively introduced "full coverage, full life cycle, full scenario" financial solutions to provide comprehensive financial support for private enterprises and have put financial support for private enterprises into practice and into the hearts of entrepreneurs. By continuing to enhance the online and offline integrated service effectiveness of our inclusive finance, balance of inclusive loan provided to small and micro-sized companies increased by 29.38%, and the balance of agriculture-related loans increased by 24.80%. By leveraging the Group's advantages in licensing, investment and research resources, we constantly enriched our personal pension product matrix, and obtained a market share of over 6% in new account openings. In addition, by proactively building a "financial bridge" to promote high-level opening-up and establishing cross-border e-commerce payment platforms, our settlement volume of new forms of foreign trade increased by 73.9%.

Over the past year, we insisted on innovation-driven development and used data technology to empower business management. The integration of data and business and the integration of data and technology could bring breakthroughs that create the new development advantages of the banking industry, representing a necessary path to optimising services, efficiency and experience. Against this backdrop, we are striving to reshape our technical architecture, business model and value curve to build new advantages and establish a digitalised BoCom. We launched new versions of personal mobile banking, corporate mobile banking and corporate online banking; and completed the construction of a modular, componentised and parameter-based product factory. In addition, we cultivated strong connectivity between BoCom On-cloud and the physical outlets, and gradually launched service solutions such as "Cloud inter-bank" and "BoCom Jiaoxintong" that enable capital management and digital transformation for enterprises. Our integrated efforts to push forward digital marketing, digital decision-making, digital management, management cockpits, value management platforms and account-manager working platforms have yielded fruitful results. We have also accelerated the planning of new digital infrastructure and Pujiang Xintongcheng Data Centre has commenced operations in accordance with the highest standards. Our multi-architecture cloud platform won first prize in the 2022 FinTech Development Awards held by the PBOC, and a series of innovative applications we have developed for enterprise-level AI platforms are currently in full swing. The number of valid accounts increased by 8.01% year-on-year, and the number of customers in private banking, OTO and the middle-end customer group increased by more than 5% for the third consecutive year.

STATEMENT FROM THE PRESIDENT

Over the past year, we have resolutely guarded the bottom line of risk and built a solid foundation for stable development with strong risk control. To manage risk in the era of the digital economy, we deploy a three-dimensional attack and defence structure that is integrated into our business operation. Through dynamic management of various risks, this structure generates endogenous forces that promote stable, long-term development. We continued to hold the "Year of Asset Quality Consolidation" campaign to promptly update industry credit policies and strengthen risk monitoring, early warnings and forward-looking risk mitigation. We also improved our domestic and overseas post-loan (post-investment) management system. During the year, the volume of new non-performing loans decreased significantly on a year-on-year basis. We strived to improve the integrated risk management system of the Group, and strengthened the differentiated guidance system for overseas branches and penetration management for non-banking subsidiaries. Moreover, we accelerated the construction of a digital risk control system and promoted the reform of the internal control compliance management system. We acted prudently to fulfil our role as a global systemically important bank, pushed forward the implementation of the new capital rules in an orderly manner and maintained a stable capital adequacy ratio.

The year 2024 marks the 75th anniversary of the founding of the People's Republic of China. The Central Financial Work Conference has sounded the trumpet of a new era and a new journey for the construction of a strong financial country, and has drawn up a roadmap for high-quality financial services. As we forge ahead in pursuit of financial development with Chinese characteristics, we will adhere to the principle of seeking high-quality growth in the new era, and fulfil our role as an important force to support the real economy and the ballast for maintaining financial stability. We will strive for excellence and contribute to the construction China into a great country and the great national renaissance.

—— Gaining insight into the current landscape and striking a balance between stability and progress to maintain profitability. In the face of new changes in the domestic and overseas economic landscape, we can only achieve both stability and growth by precisely promoting structural adjustment and business transformation and raising efficiency. In this way, we aim to stimulate the momentum of steady development and continue forging ahead. We will strengthen proactive, prudent, full-cycle planning and operations for traditional on-balance sheet business, firmly uphold our retail transformation strategy, cultivate a resilient and flexible balance sheet, and coordinate the development of the asset and liability business of different operating units. Through these efforts, we will pursue stability through growth while also laying the foundation for stable growth in the future.

—— Coordinating quality and quantity to effectively implement the "five priorities" of finance in the smooth transition between "establishment and destruction". We accelerated our transition towards the "service bank and commercial bank" model, and take advantage of our full business licenses and comprehensive business operations. In addition, we will leverage our capabilities in tiered and categorised customer management, rapid product development, and risk identification and pricing to establish a comprehensive customer system that covers retail middle and high-end customers and "long tail" customers, as well as all a full-range of corporate and interbank customers. Through our adaptable, highly integrated, high speed, comprehensive financial products and service solutions, we can transform “customer flow” into “customer retention” and deliver quality services to customers while enhancing our ability to create value. We can also effectively identify and sensitively capture new development channels and opportunities brought about by different structural policies, strengthen financing support for the upgrading of traditional industries, and expand emerging industries and cultivate future industries according to the timeframes, locations and needs of different customers. In this way, we will continue intensively implementing the "five priorities" of finance.

—— Taking advantage of risks and opportunities to enhance risk management and risk prevention and mitigation. We will continue to modernise our risk governance system and capabilities, enhance the predictability, proactiveness and effectiveness of the entire process of risk identification, measurement and disposal, elevate dynamic synergies between “technical prevention” and “manual prevention”, embed smart risk controls in different systems and processes in a scientific manner, and effectively respond to various traditional and emerging risks, so as to maintain risk response ahead of the market. We will strengthen our fundamental ability in risk pricing, gradually expand service coverage, and precisely adjust and flexibly optimise our enterprise-level middle office so as to enhance risk perception, risk pricing and risk management capabilities for large-scale complex business operations spanning multiple regions. Meanwhile, by proactively building a generative artificial intelligence (AI) framework embedded with risk control elements, we can strengthen the productivity of customer acquisition and retention and loyalty, and ultimately provide convenient and seamless services, enable close integration between business and technology.

—— Gradually adjusting our current portfolio and pursuing growth to boost new development momentum. Our current portfolio provides the foundation for new growth, and new growth can also promote the upgrading of our current portfolio. Going forward, we will promote iterative improvements across three dimensions — incremental business, incremental demand from customers and incremental expansion of current products — in order to proactively tap the potential of multi-dimensional production capacity, adopt robust measures to improve net interest margin and reshape the yield curve of intermediate business from a long-term perspective. In this way, we will form a robust and sustainable system for value creation.

We will continue to make vigorous and determined efforts to perform our work and fulfil our duties. We firmly believe that we can only develop great qualities through diligent work and exploration.

STATEMENT FROM THE CHAIRMAN OF THE BOARD OF SUPERVISORS

Xu Jiming
Chairman of the Board of Supervisors

The coming of spring heralds the beginning of the new year. 2023 was the first year in which the spirit of the 20th National Congress of the Communist Party of China (CPC) was implemented, and it was also an important year for the implementation of the 14th Five-Year Plan. BoCom has always adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and firmly implemented the major decisions and arrangements of the CPC Central Committee. In this way, we aim to adapt and overcome different obstacles, maintain positive growth momentum, and "make progress and improve quality while maintaining stability" in our business operations. During the year, the Board of Supervisors consistently fulfilled its duties in accordance with the principles of faithfulness, diligence, compliance, efficiency, precision and pragmatism, and conducted its supervisory work proactively with a strong sense of responsibility and mission, with a view to pushing forward the further modernisation of corporate governance across the entire Bank.

Actively integrating into the new development landscape and highlighting the role of strategic supervision. With a firm grasp of the political and popular nature of financial work, we focused our supervisory resources on enhancing the quality and efficiency of our financial work and supporting major national strategies, key areas and weak links. To this end, we conducted in-depth investigations and research in service areas such as rural revitalisation and coordinated regional development to further the implementation of national strategies in BoCom. The Group attaches great importance to the results of the "One-Four-Five" Strategy, and we are committed to implementing the retail transformation strategy from a corporate governance perspective to facilitate the implementation of key tasks and achievement of results.

Further improving our working mechanism to enable high-quality supervision. We intensively developed the "three professional areas" supervision model, which entails focusing on promoting in-depth professional research, engaging in professional training to enhance people's capabilities and holding professional forums on a range of topics, so as to effectively improve our supervisory performance in a scientific and coordinated manner. During the year, we efficiently implemented key supervisory tasks, fully covering areas such as strategy, capital and finance, and risk and internal control and compliance; and we put forward precise, constructive supervisory comments and followed up on the rationalisation of supervisory results in an effort to raise the quality and efficiency of our supervision.

Adhering to compliant operation and providing strong support for compliance in the performance of duties. We have always strived to strengthen Party leadership by improving corporate governance, optimising the supervisory system of the Board of Supervisors, enhancing the efficiency of discussion processes, soundly carrying out performance supervision and evaluation, strengthening interactions with internal and external supervisory bodies, and ensuring the Board of Supervisors performs its duties in a compliant manner.

Bearing in mind that one must start from near to go afar, we are forging ahead with unwavering commitment and perseverance. In 2024, the Board of Supervisors will continue to thoroughly study and implement the spirit of the 20th CPC National Congress, the Central Financial Work Conference and the Central Economic Work Conference, accurately grasp the responsibilities and positioning of large state-owned financial institutions, closely coordinate with various governance bodies to jointly promote the construction of a modern corporate governance system, and contribute to the high-quality development of BoCom.

I. ECONOMIC AND FINANCIAL ENVIRONMENT

In 2023, the global economy's growth momentum weakened; the rate hike cycle in major developed economies drew close to an end; and the international financial market saw significant fluctuations. By withstanding external pressure and overcoming internal difficulties, China's economy experienced a positive recovery, and GDP grew by 5.2%. During the year, the structure of the country's economy continued to improve; the leading role played by internal circulation was strengthened; and groundbreaking achievements in innovation continued to emerge. In addition, in 2023, the shift from old to new economic drivers accelerated, and China effectively promoted high-quality development.

During the year, proactive fiscal policy and prudent monetary policy were closely coordinated to promote high-quality development. In particular, certain tax policies were extended and optimised to alleviate difficulties for enterprises, encourage enterprises to pursue development, boost domestic demand and assist in the construction of a modernised industrial system. In 2023, we maintained reasonable growth in monetary credit, optimised fund supplies to promote structural transformation, and coordinated total volume and structure, quantity and price, as well as internal and external balance in order to effectively serve the development of the real economy.

During the year, financial supervision was strengthened to encourage banks to better serve the real economy. Regulatory measures such as the *Measures for the Risk-based Classification of Financial Assets by Commercial Banks and the Administrative Measures for the Capital Management of Commercial Banks* were issued and revised to promote the high-quality development of inclusive finance and the growth of the private economy. Meanwhile, optimised and differentiated mortgage policies were released to further improve banks' risk management, improve the efficiency of capital utilisation, and provide enhanced support for key areas and weak links.

The banking industry has been continuously providing better support to the real economy and meet the financing needs of major projects and projects that support people's livelihood. Credit extension has continued to tilt towards key areas, including the manufacturing sector, strategic emerging industries, sci-tech innovation industries, and inclusive small and micro enterprises. By further reducing financing costs for the real economy and maintaining the weighted average lending rate at a historically low level, we are providing robust support for the high-quality development of the economy and society.

FINANCIAL STATEMENT ANALYSIS

II. FINANCIAL STATEMENT ANALYSIS

During the Reporting Period, the Group adhered to the general guideline of making progress while maintaining stability, coordinated development alongside security, successfully achieved the Group's operating targets, maintained and consolidated the development trend of "making progress and improving quality while maintaining stability".

The scale has steadily increased. As at the end of the Reporting Period, the total assets of the Group increased by 8.23% over the end of the previous year to 14.06 trillion, of which, the Group's balance of loans and advances to customers increased by 662.120 billion or 9.08% over the end of the previous year to 7.96 trillion; balance of deposits from customers increased by 602.143 billion or 7.58% over the end of the previous year to 8.55 trillion.

Operating efficiency remains resilient. During the Reporting Period, the Group's net profit (attributable to shareholders of the Bank) amounted to 92.728 billion, representing a year-on-year increase of 0.68%. The Group's net operating income amounted to 258.014 billion representing a year-on-year increase of 0.26%.

Asset quality continues to consolidate. As at the end of the Reporting Period, non-performing loan ratio of the Group was 1.33%, decreased by 0.02 percentage point over the end of the previous year. Provision coverage ratio was 195.21%, representing an increase of 14.53 percentage points over the end of the previous year.

1. Analysis on Key Income Statement Items

(1) Profit before tax

During the Reporting Period, the Group's profit before tax increased by 1.583 billion or 1.61% on a year-on-year basis to 99.698 billion. The profit growth is primarily driven by a year-on-year increase in net non-interest income and a year-on-year decrease in credit impairment losses. During the Reporting Period, net non-interest income increased by 7.35% year-on-year, while credit impairment losses decreased by 5.80% year-on-year.

The selected items from the income statement of the Group during the periods indicated are shown below:

(in millions of RMB unless otherwise stated)

	2023	2022	Increase/ (decrease) (%)
Net interest income	164,123	169,882	(3.39)
Net non-interest income	93,891	87,464	7.35
Including: Net fee and commission income	43,004	44,855	(4.13)
Net operating income	258,014	257,346	0.26
Credit impairment losses	(56,908)	(60,411)	(5.80)
Impairment losses on other assets	(1,062)	(1,897)	(44.02)
Other operating expenses	(100,346)	(96,923)	3.53
Including: Operating expenses	(77,369)	(76,151)	1.60
Profit before tax	99,698	98,115	1.61
Income tax	(6,446)	(6,160)	4.64
Net profit	93,252	91,955	1.41
Net profit attributable to shareholders of the Bank	92,728	92,102	0.68

The breakdown of the net operating income of the Group during the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

		2023	Increase/
Item	**Amount**	**Proportion (%)**	**(decrease) (%)**
Net interest income	164,123	63.61	(3.39)
Net fee and commission income	43,004	16.67	(4.13)
Net gains arising from trading activities	23,224	9.00	31.90
Net gains arising from financial investments	727	0.28	47.17
Net share of profits of associates and joint ventures	356	0.14	21.92
Other operating income	26,580	10.30	9.76
Total net operating incomes	258,014	100.00	0.26

(2) Net interest income

During the Reporting Period, the Group's net interest income decreased by 5.759 billion on a year-on-year basis to 164.123 billion, accounting for 63.61% of the net operating income, which was a major component of the Group's income. Net interest income decreased on a year-on-year basis mainly due to the multiple reductions in Loan Prime Rate (LPR) and the adjustment in outstanding mortgage rates. The decrease in the average rate of return on loans to customers, resulting in a lower-than-expected growth in interest income. At the same time, the continuous increase in long-term deposits together with the increasing cost of foreign currency liabilities had resulted in an increase in interest expenses.

FINANCIAL STATEMENT ANALYSIS

The average balances, associated interest income and expenses and average rate of return or average rate of cost of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated are shown below:

(in millions of RMB unless otherwise stated)

	From January to December 2023			From January to December 2022		
	Average Balance	Interest income (expense)	Average rate of return/ (cost) (%)	Average Balance	Interest income (expense)	Average rate of return/ (cost) (%)
Assets						
Cash and balances with central banks	**797,412**	**12,393**	**1.55**	766,989	11,020	1.44
Due from and placements with banks and other financial institutions	**961,887**	**29,671**	**3.08**	853,328	17,886	2.10
Loans and advances to customers	**7,741,769**	**306,150**	**3.95**	6,933,773	291,850	4.21
Investment securities	**3,324,985**	**111,647**	**3.36**	2,954,940	97,311	3.29
Interest-bearing assets	**12,826,053**	**459,861**	**3.59**	11,509,030	418,067	3.63
Non-interest-bearing assets	**1,046,013**			1,103,512		
Total assets	**13,872,066**			12,612,542		
Liabilities and Shareholders' Equity						
Deposits from customers	**8,277,139**	**192,982**	**2.33**	7,466,070	163,457	2.19
Due to and placements from banks and other financial institutions	**2,177,034**	**55,150**	**2.53**	2,114,882	44,696	2.11
Debt securities and others	**1,637,098**	**47,606**	**2.91**	1,415,962	40,032	2.83
Interest-bearing liabilities	**12,091,271**	**295,738**	**2.45**	10,996,914	248,185	2.26
Shareholders' equity and non-interest-bearing liabilities	**1,780,795**			1,615,628		
Total liabilities and shareholders' equity	**13,872,066**			12,612,542		
Net interest income		**164,123**			169,882	
Net interest spread[1]			**1.14**			1.37
Net interest margin[2]			**1.28**			1.48

Notes:

1. Represented the difference between the average rate of return on total average interest-bearing assets and the average rate of cost of total average interest-bearing liabilities.
2. Represented the ratio of net interest income to total average interest-bearing asset.

During the Reporting Period, the Group's net interest income decreased by 3.39% on a year-on-year basis. The net interest spread was 1.14%, representing a decrease of 23 basis points on a year-on-year basis. The net interest margin was 1.28%, representing a decrease of 20 basis points on a year-on-year basis.

The net interest spread and net interest margin for each quarter during the periods indicated are shown below:

	2023			
(%)	**January – March**	**April – June**	**July – September**	**October – December**
Net interest spread	**1.21**	**1.16**	**1.12**	**1.07**
Net interest margin	**1.33**	**1.30**	**1.27**	**1.22**

The table below illustrates the impact of changes in scales and interest rates on the Group's interest income and interest expenses. The changes in scales and interest rates are based on the changes in average balance and the changes on interest rates of interest-bearing assets and interest-bearing liabilities during the periods indicated.

(in millions of RMB)

	Comparison between 2023 and 2022 Increase/(Decrease) due to		
	Amount	Interest rate	Net increase/ (decrease)
Interest-bearing assets			
Cash and balances with central banks	438	935	1,373
Due from and placements with banks and other financial institutions	2,280	9,505	11,785
Loans and advances to customers	34,017	(19,717)	14,300
Investment securities	12,174	2,162	14,336
Changes in interest income	48,909	(7,115)	41,794
Interest-bearing liabilities			
Deposits from customers	17,762	11,763	29,525
Due to and placements from banks and other financial institutions	1,311	9,143	10,454
Debt securities and others	6,258	1,316	7,574
Changes in interest expenses	25,331	22,222	47,553
Changes in net interest income	23,578	(29,337)	(5,759)

During the Reporting Period, the Group's net interest income decreased by 5.759 billion on a year-on-year basis. Within this total, changes in the average balance of all assets and liabilities increased net interest income by 23.578 billion, while changes in the average rate of return and average rate of cost decreased net interest income by 29.337 billion.

① Interest Income

During the Reporting Period, the Group's interest income increased by 41.794 billion or 10.00% on a year-on-year basis to 459.861 billion, of which interest income from loans and advances to customers, investment securities and cash and balances with central banks accounted for 66.57%, 24.28% and 2.69% of total interest income, respectively.

A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers increased by 14.300 billion or 4.90% on a year-on-year basis to 306.150 billion, which was mainly due to the increase in the average balance of loans and advances to customers by 807.996 billion or 11.65%.

FINANCIAL STATEMENT ANALYSIS

Analysis of the average income of loans and advances to customers by business type and term structure

(in millions of RMB unless otherwise stated)

	From January to December 2023			From January to December 2022		
	Average balance	Interest income	Average rate of return (%)	Average Balance	Interest income	Average rate of return (%)
Corporate loans	5,087,425	195,477	3.84	4,412,329	176,385	4.00
– Short-term loans	1,555,006	51,896	3.34	1,390,254	47,582	3.42
– Medium and long-term loans	3,532,419	143,581	4.06	3,022,075	128,803	4.26
Personal loans	2,378,156	106,798	4.49	2,286,752	111,384	4.87
– Short-term loans	597,220	28,096	4.70	583,408	28,794	4.94
– Medium and long-term loans	1,780,936	78,702	4.42	1,703,344	82,590	4.85
Discounted bills	276,188	3,875	1.40	234,692	4,081	1.74
Total loans and advances to customers	7,741,769	306,150	3.95	6,933,773	291,850	4.21

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by 14.336 billion or 14.73% on a year-on-year basis to 111.647 billion, which was mainly due to the year-on-year increase by 370.045 billion or 12.52% in the average balance of investment securities.

C. Interest income from cash and balances with central banks

The cash and balances with central banks mainly included balances in statutory reserves and excess reserves. During the Reporting Period, interest income from cash and balances with central banks increased by 1.373 billion or 12.46% on a year-on-year basis to 12.393 billion, which was mainly due to the year-on-year increase by 11 basis points in the average rate return on cash and balances with central banks.

D. Interest income from balances due from and placements with banks and other financial institutions

During the Reporting Period, the interest income from balances due from and placements with banks and other financial institutions increased by 11.785 billion or 65.89% on a year-on-year basis to 29.671 billion, which was mainly due to the year-on-year increase by 98 basis points in the average rate of return on balances due from and placements with banks and other financial institutions.

② **Interest expenses**

During the Reporting Period, the Group's interest expenses increased by 47.553 billion or 19.16% on a year-on-year basis to 295.738 billion.

A. Interest expenses on deposits from customers

Deposits from customers is the Group's primary funding source. During the Reporting Period, interest expenses on deposits from customers increased by 29.525 billion or 18.06% on a year-on-year basis to 192.982 billion, accounting for 65.25% of total interest expenses.

Analysis of the average cost of deposits from customers by product type

(in millions of RMB unless otherwise stated)

	From January to December 2023			From January to December 2022		
	Average Balance	Interest expense	Average rate of cost (%)	Average Balance	Interest expense	Average rate of cost (%)
Corporate deposits	**5,060,932**	**116,680**	**2.31**	4,800,242	102,342	2.13
– Demand deposits	**1,951,091**	**21,619**	**1.11**	1,911,196	18,489	0.97
– Time deposits	**3,109,841**	**95,061**	**3.06**	2,889,046	83,853	2.90
Personal deposits	**3,216,207**	**76,302**	**2.37**	2,665,828	61,115	2.29
– Demand deposits	**819,659**	**1,947**	**0.24**	789,468	2,394	0.30
– Time deposits	**2,396,548**	**74,355**	**3.10**	1,876,360	58,721	3.13
Total due to customers	**8,277,139**	**192,982**	**2.33**	7,466,070	163,457	2.19

B. Interest expenses on balances due to and placements from banks and other financial institutions

During the Reporting Period, interest expenses on balances due to and placements from banks and other financial institutions increased by 10.454 billion or 23.39% on a year-on-year basis to 55.150 billion, which was mainly due to a year-on-year increase by 42 basis points in the average rate of cost of balances due to and placements from banks and other financial institutions.

C. Interest expenses on debt securities issued and other interest-bearing liabilities

During the Reporting Period, interest expenses on debt securities issued and other interest-bearing liabilities increased by 7.574 billion or 18.92% on a year-on-year basis to 47.606 billion, which was mainly due to a year-on-year increase by 221.136 billion or 15.62% in the average balance of debt securities issued and others.

(3) Net fee and commission income

During the Reporting Period, the Group fully leveraged the advantage of full licenses to improve its comprehensive service offerings and one-stop cross marketing ability, actively expanded diversified sources of revenue growth from fee income, and strived to create a “second curve” of sustained profit growth through the efficient collaboration of “commercial bank + investment bank + fund management + fund custody”, “account + payment + products + fund supervision”, “online + offline”, and “domestic + overseas”. However, affected by factors such as the continued volatility in the capital market, a reduction in product rates, and a further reduction of fees and charges, the Group recorded a net fee and commission income of 43.004 billion, representing a year-on-year decrease of 1.851 billion, or 4.13%, among which the wealth management revenues decreased by 2.346 billion or 23.10% on a year-on-year basis, and income from the investment banking business decreased by 572 million or 18.49% on a year-on-year basis.

FINANCIAL STATEMENT ANALYSIS

The breakdown of the Group's net fee and commission income for the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	2023	2022	Increase/ (decrease) (%)
Bank cards	18,762	19,141	(1.98)
Wealth management business	7,808	10,154	(23.10)
Custody and other fiduciary businesses	8,004	7,496	6.78
Agency services	5,274	4,980	5.90
Investment banking	2,521	3,093	(18.49)
Guarantee and commitment	3,201	2,884	10.99
Settlement services	1,375	1,364	0.81
Others	203	227	(10.57)
Total fee and commission income	47,148	49,339	(4.44)
Less: fee and commission expense	(4,144)	(4,484)	(7.58)
Net fee and commission income	43,004	44,855	(4.13)

(4) Other non-interest income

The structure of other non-interest income composition of the Group during the period is as follows:

(in millions of RMB unless otherwise stated)

	2023	2022	Increase/ (decrease) (%)
Net gains arising from trading activities	23,224	17,607	31.90
Net gains arising from financial investments	727	494	47.17
Share of profits of associates and joint ventures	356	292	21.92
Other operating income	26,580	24,216	9.76
Total other non-interest income	50,887	42,609	19.43

During the Reporting Period, the Group recorded other non-interest income of 50.887 billion, of which net gains arising from trading activities amounted to 23.224 billion, representing an increase of 5.617 billion or 31.90% on a year-on-year basis, mainly attributable to the year-on-year increase in related income from investments in subsidiaries' equity, as well as the year-on-year increase in the gains and losses on debt and interest-rate derivatives as affected by the increased scale and the fluctuation of the market interest rates. Besides, it also attributed to the decline in the gains and losses on the translation of US dollar (long position) and the increasing costs on certain currency swap products.

(5) Operating expenses

During the Reporting Period, the Group's operating expenses increased by 1.218 billion or 1.60% on a year-on-year basis to 77.369 billion; the Group's cost-to-income ratio was 30.04%, representing a year-on-year increase of 0.39 percentage point. The cost-to-income ratio was around 27% if the tax exemption effect of bond interest income and other income was restored.

The breakdown of the Group's operating expenses for the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	2023	2022	Increase/ (decrease) (%)
Staff remuneration, bonus, allowance and welfare	**27,797**	26,918	3.27
Other staff costs	**13,295**	12,396	7.25
Operating expenses	**26,750**	28,187	(5.10)
Depreciation and amortisation	**9,527**	8,650	10.14
Total operating expenses	**77,369**	76,151	1.60

(6) Asset impairment losses

During the Reporting Period, the Group's asset impairment losses were 57.970 billion, representing a year-on-year decrease of 4.338 billion or 6.96%, of which the credit impairment losses on loans decreased by 3.965 billion or 6.82% on a year-on-year basis to 54.137 billion. The Group continued to adhere to the Implementation Measures for Expected Credit Losses Management in Commercial Banks and dynamically updated the impairment model's parameters to fully reflect the impact of forward-looking information on expected credit losses. Concurrently, the Group continued to adhere to regulatory requirements of "accurate asset classification, full provision of reserves, and expedite disposal" to strengthen asset quality by making reasonable and adequate provisions based on accurate measurement, therefore, sufficient risk resistance and loss absorption capacity has been well established.

(7) Income tax

During the Reporting Period, the Group's income tax expenses increased by 286 million or 4.64% on a year-on-year basis to 6.446 billion. The effective tax rate of 6.47% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group pursuant to the relevant tax provisions.

2. Analysis on Key Balance Sheet Items

(1) Assets

As at the end of the Reporting Period, the Group's total assets increased by 1,068.901 billion or 8.23% over the end of the previous year to 14,060.472 billion, which was mainly due to the increase in the scale of loans and advances to customers as well as financial investments.

FINANCIAL STATEMENT ANALYSIS

The balances (after provision) of the key components of the Group's total assets and their proportions to the total assets as at the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers	**7,772,060**	**55.28**	7,135,454	54.93	6,412,201	54.97
Financial investments	**4,104,142**	**29.19**	3,955,207	30.44	3,523,249	30.20
Cash and balances with central banks	**898,022**	**6.39**	806,102	6.20	734,728	6.30
Due from and placements with banks and other financial institutions	**859,642**	**6.11**	690,421	5.31	632,708	5.42
Others	**426,606**	**3.03**	404,387	3.12	362,871	3.11
Total assets	**14,060,472**	**100.00**	12,991,571	100.00	11,665,757	100.00

① Loans and advances to customers

During the Reporting Period, the Group devoted its full efforts to stable growth, stable employment and stable commodity prices, intensified the efforts on implementation of counter-cyclical and cross-cycle monetary policy tools, gave full play to the role of financial institutions in serving the "country's most fundamental interests", meeting the demands for effective financing of the real economy, and devoted precise efforts in addressing major strategies, key areas and weak links. The Group also provided further credit support to areas such as inclusive services to small and micro businesses, manufacturing, strategic emerging industries, green credit and agriculture-related businesses, for the purpose of driving reasonable growth in the total amount of loans and advances and the optimisation of structures.

The balance and breakdown of the Group's loans and advances to customers at the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	**5,179,533**	**65.09**	4,711,353	64.58	4,138,582	63.09
– Short-term loans	**1,496,422**	**18.81**	1,438,252	19.72	1,309,291	19.96
– Medium and long-term loans	**3,683,111**	**46.28**	3,273,101	44.86	2,829,291	43.13
Personal loans	**2,473,100**	**31.08**	2,365,317	32.43	2,285,096	34.83
– Mortgage	**1,462,634**	**18.38**	1,512,648	20.74	1,489,517	22.70
– Credit card	**489,725**	**6.15**	477,746	6.55	492,580	7.51
– Others	**520,741**	**6.55**	374,923	5.14	302,999	4.62
Discounted bills	**304,452**	**3.83**	218,295	2.99	136,722	2.08
Total	**7,957,085**	**100.00**	7,294,965	100.00	6,560,400	100.00

As at the end of the Reporting Period, the Group's loans and advances to customers increased by 662.120 billion or 9.08% over the end of the previous year to 7,957.085 billion, among which the RMB loans from domestic institutions increased by 695.276 billion or 10.55% over the end of the previous year to 7,282.574 billion.

The corporate loan balance was 5,179.533 billion, representing an increase of 468.180 billion or 9.94% over the end of the previous year, the proportion of which in loans and advances to customers increased by 0.51 percentage point to 65.09% over the end of the previous year, among which short-term loans increased by 58.170 billion, and medium and long-term loans increased by 410.010 billion, the proportion of medium and long-term loans in loans and advances to customers increased to 46.28%.

The personal loan balance was 2,473.100 billion, representing an increase of 107.783 billion or 4.56% over the end of the previous year, the proportion of which in loans and advances to customers decreased by 1.35 percentage points to 31.08% over the end of the previous year, among which mortgage loans decreased by 50.014 billion or 3.31% over the end of the previous year. The proportion of mortgage loans in loans and advances to customers decreased by 2.36 percentage points to 18.38% over the end of the previous year, and credit card loans increased by 11.979 billion or 2.51% over the end of the previous year.

Discounted bills increased by 86.157 billion or 39.47% over the end of the previous year.

Distribution of loans and advances to customers by security types

(In millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**2,883,274**	**36.23**	2,461,988	33.75
Guaranteed loans	**1,288,963**	**16.20**	1,179,381	16.17
Loans secured by collateral	**2,904,861**	**36.51**	2,579,866	35.36
Pledged loans	**879,987**	**11.06**	1,073,730	14.72
Total	**7,957,085**	**100.00**	7,294,965	100.00

Expected credit loss allowance for loans and advances to customers

(in millions of RMB)

	31 December 2023	31 December 2022
Balance at the end of the previous year	**178,019**	161,162
Accrual/(Reversal) in the period	**54,137**	58,102
Write-offs and disposals in the period	**(31,099)**	(46,313)
Recovered after written-off	**5,679**	5,146
Other movements	**(427)**	(78)
Balance at the end of the period	**206,309**	178,019

FINANCIAL STATEMENT ANALYSIS

② Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by 148.935 billion or 3.77% over the end of the previous year to 4,104.142 billion.

The breakdown of investments by nature

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bonds	**3,618,639**	**88.17**	3,416,632	86.38
Equity instruments and others	**485,503**	**11.83**	538,575	13.62
Total	**4,104,142**	**100.00**	3,955,207	100.00

The breakdown of investments by the presentation basis of financial statements

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Financial investments at fair value through profit and loss	**642,282**	**15.65**	705,357	17.83
Financial investments at amortised cost	**2,573,911**	**62.71**	2,450,775	61.97
Financial investments at fair value through other comprehensive income	**887,949**	**21.64**	799,075	20.20
Total	**4,104,142**	**100.00**	3,955,207	100.00

As at the end of the Reporting Period, the balance of the Group's bonds investments increased by 202.007 billion or 5.91% over the end of the previous year to 3,618.639 billion. In the future, the Group will reinforce the research and judgement of the economic and financial situation, and focus on the allocation of incremental investment and optimisation of historical bonds investments. First, the Group will maintain the overall strategy of investing mainly in interest rate bonds and make arrangements for investment in treasury bonds and local treasury bonds, etc. Secondly, the Group will proactively meet the financing needs of debt issuers in areas such as scientific and technological innovation, advanced manufacturing, green development, rural revitalisation, as well as small and micro enterprises, and to make a sound project reserve for credit bonds and investment arrangements in key regions such as the Beijing-Tianjin-Hebei Region, the Guangdong-Hong Kong-Macau Region and the Yangtze River Delta. Thirdly, the Group will increase the bonds transaction volume and expedite the turnover of treasury bonds and policy bank financial bonds. Fourthly, the Group will strengthen the market research and judgement to understand the characteristics of the changes in U.S. bond yields and yield curves after the Federal Reserve paused rate hikes, for the purpose of maintaining the value of foreign currency bonds based on good liquidity management.

The breakdown of securities investment by issuers

(in millions of RMB unless otherwise stated)

	31 December 2023 Balance	31 December 2023 Proportion (%)	31 December 2022 Balance	31 December 2022 Proportion (%)
Government and central banks	**2,836,600**	**78.38**	2,626,005	76.86
Public sector entities	**35,653**	**0.99**	37,930	1.11
Interbank institutions and other financial institutions	**549,166**	**15.18**	539,009	15.78
Corporate entities	**197,220**	**5.45**	213,688	6.25
Total	**3,618,639**	**100.00**	3,416,632	100.00

As at the end of the Reporting Period, financial bonds held by the Group amounted to 549.166 billion, including bonds issued by policy banks of 73.436 billion and by interbank institutions and non-bank financial institutions of 475.730 billion, which accounted for 13.37% and 86.63%, respectively.

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond name	Face value	Annual interest rate (%)	Maturity date	Impairment allowance
Policy Bank Bond issued in 2017	**6,309**	**4.39**	**08/09/2027**	**2.11**
Policy Bank Bond issued in 2018	**5,256**	**4.98**	**12/01/2025**	**1.76**
Policy Bank Bond issued in 2022	**3,405**	**SOFR+1.06**	**29/09/2027**	**0.99**
Policy Bank Bond issued in 2017	**3,372**	**4.30**	**21/08/2024**	**1.13**
Policy Bank Bond issued in 2019	**3,222**	**2.70**	**19/03/2024**	**0.44**
Commercial Bank Subordinated Bond issued in 2023	**3,073**	**3.07**	**30/08/2033**	**–**
Commercial Bank Bond issued in 2023	**3,015**	**2.70**	**23/11/2026**	**1.01**
Commercial Bank Bond issued in 2022	**2,986**	**2.45**	**11/11/2025**	**2.00**
Commercial Bank Bond issued In 2022	**2,957**	**SOFR+0.78**	**28/04/2025**	**0.58**
Policy Bank Bond issued in 2018	**2,898**	**4.88**	**09/02/2028**	**0.97**

③ **Foreclosed asset**

The selected information of the Group's foreclosed asset on the dates indicated is shown below:

(in millions of RMB)

	31 December 2023	31 December 2022
Original value of foreclosed assets	**1,384**	1,412
Less: Impairment allowance	**(439)**	(412)
Net value of foreclosed assets	**945**	1,000

FINANCIAL STATEMENT ANALYSIS

(2) Liabilities

The Group thoroughly implemented the Administrative Measures for the Management of Commercial Banks' Liability Quality issued by NAFR with the aim of ensuring the security, liquidity and efficiency of its operation, and continued to optimise and improve the liability quality management system that was suited with the size and complexity of its liabilities in accordance with the principle of adapting to the business strategy, risk appetite and overall business characteristics, for the purpose of continuously improving the capability and level of liability quality management. During the Reporting Period, the Group conscientiously implemented the requirements of the "six characteristics"[1] of liability quality management, continued to expand the liability business, consolidated customer basis, and strengthened the monitoring and analysis of liability quality, resulting in a steady development of the liabilities business.

The balance and proportion of the main components in the total liabilities of the Group as of the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Deposits from customers	**8,551,215**	**65.98**	7,949,072	66.47	7,039,777	65.86
Due to and placements from interbank institutions and other financial institutions	**2,424,537**	**18.71**	2,034,894	17.02	1,947,768	18.22
Certificates of deposits issued	**1,027,461**	**7.93**	1,092,366	9.13	892,020	8.35
Debt securities issued	**592,175**	**4.57**	530,861	4.44	503,525	4.71
Others	**365,634**	**2.81**	350,856	2.94	305,431	2.86
Total liabilities	**12,961,022**	**100.00**	11,958,049	100.00	10,688,521	100.00

As at the end of the Reporting Period, the Group's total liabilities increased by 1,002.973 billion or 8.39% over the end of the previous year to 12,961.022 billion. Among them, deposits from customers increased by 602.143 billion or 7.58% over the end of the previous year, which accounted for 65.98% of total liabilities and represented a decrease of 0.49 percentage point over the end of the previous year; the balance of due to and placements from interbank institutions and other financial institutions increased by 389.643 billion or 19.15% over the end of the previous year, which accounted for 18.71% of total liabilities and represented an increase of 1.69 percentage points over the end of the previous year.

1 Stability of liability sources, diversity of liability structures, rationality of matching liabilities and assets, initiative in acquiring liabilities, appropriateness of liability costs, and authenticity of liability projects.

Deposits from customers

Deposits from customers is the Group's major funding source. As at the end of the Reporting Period, the Group's balance of deposits from customers increased by 602.143 billion or 7.58% over the end of the previous year to 8,551.215 billion. In terms of customer structure, the proportion of corporate deposits was 58.96%, representing a decrease of 2.40 percentage points over the end of the previous year, while the proportion of personal deposits was 39.27%, representing an increase of 2.09 percentage points over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 1.83 percentage points over the end of the previous year to 34.33%, while the proportion of time deposits increased by 1.52 percentage points over the end of the previous year to 63.90%.

The balance and breakdown of the Group's deposits from customers as of the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022		31 December 2021	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	**5,041,991**	**58.96**	4,877,033	61.36	4,550,020	64.63
– Demand deposits	**2,050,524**	**23.98**	1,989,383	25.03	2,061,672	29.28
– Time deposits	**2,991,467**	**34.98**	2,887,650	36.33	2,488,348	35.35
Personal deposits	**3,358,156**	**39.27**	2,955,724	37.18	2,402,812	34.13
– Demand deposits	**884,746**	**10.35**	885,013	11.13	850,831	12.09
– Time deposits	**2,473,410**	**28.92**	2,070,711	26.05	1,551,981	22.04
Other deposits	**3,240**	**0.04**	4,227	0.05	3,359	0.05
Accrued interest	**147,828**	**1.73**	112,088	1.41	83,586	1.19
Total	**8,551,215**	**100.00**	7,949,072	100.00	7,039,777	100.00

(3) Off-balance sheet items

The Group's off-balance sheet items included derivative financial instruments, contingencies and commitments as well as collaterals.

The Group entered into various derivative financial instruments including interest rate contracts, exchange rate contracts, precious metals and commodity contracts for trading, hedging, asset and liability management and on behalf of customers. Please refer to the financial statements Note 18. Derivative Financial Instruments for the details of nominal amount and fair value of the derivative financial instruments.

The Group's contingencies and commitments mainly included outstanding litigations, credit related commitments and financial guarantees, capital expenditure commitments, operating leasing commitments, commitments on security underwriting and bond acceptance. Please refer to Note 37. Contingencies for the details of contingencies and Note 38. Commitments for the details of commitments.

The Group uses part of its assets as collaterals for interbank repurchase arrangements and other liabilities-related business. Refer to note 39 to the financial statements for details.

FINANCIAL STATEMENT ANALYSIS

3. Analysis on Key Cash Flow Items

As at the end of the Reporting Period, the balance of Group's cash and cash equivalents increased by 26.658 billion over the end of the previous year to 275.461 billion.

The net cash inflows from operating activities decreased by 230.898 billion on a year-on-year basis to 137.323 billion, which was mainly due to the decrease in net cash inflow from deposits from customers and certificates of deposits issued.

The net cash outflows from investing activities decreased by 168.274 billion on a year-on-year basis to 116.623 billion, which was mainly due to the decrease in net cash outflow from securities investment.

The net cash inflows from financing activities increased by 37.863 billion on a year-on-year basis to 4.888 billion, which was mainly due to the increase in net cash inflow from issuance and redemption of bonds.

4. Segment Analysis

(1) Operating results by geographical segments

The profit before tax and net operating income from each of the Group's geographical segments for the periods indicated are as below:

(in millions of RMB unless otherwise stated)

	2023				2022			
	Profit before tax	**Proportion (%)**	**Net operating income[1]**	**Proportion (%)**	Profit before tax	Proportion (%)	Net operating income[1]	Proportion (%)
Yangtze River Delta	**47,584**	**47.73**	**91,566**	**35.49**	47,695	48.61	86,946	33.79
Pearl River Delta	**7,876**	**7.90**	**24,521**	**9.50**	11,199	11.41	25,124	9.76
Bohai Rim Economic Zone	**20,759**	**20.82**	**30,854**	**11.96**	8,636	8.80	31,683	12.31
Central China	**20,859**	**20.91**	**36,909**	**14.31**	28,133	28.69	38,489	14.96
Western China	**8,809**	**8.84**	**22,802**	**8.84**	9,380	9.56	23,336	9.07
North Eastern China	**2,938**	**2.95**	**7,200**	**2.79**	32	0.03	7,371	2.86
Overseas	**5,948**	**5.97**	**17,761**	**6.88**	3,791	3.86	13,286	5.15
Head Office[2]	**(15,075)**	**(15.12)**	**26,401**	**10.23**	(10,751)	(10.96)	31,111	12.09
Total[3]	**99,698**	**100.00**	**258,014**	**100.00**	98,115	100.00	257,346	100.00

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investments, net share of profits of associates and joint ventures as well as and other income. Same applies hereinafter.
2. Including the Pacific Credit Card Centre. Same applies hereinafter.
3. Including profit/(loss) attributable to non-controlling interests.
4. The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

(2) Deposits and loans and advances by geographical segments

The Group's loans and advances balances by geographical segments as at the dates indicated are as below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Loans and advances balances	Proportion (%)	Loans and advances balances	Proportion (%)
Yangtze River Delta	2,226,422	27.98	1,999,175	27.40
Pearl River Delta	1,051,204	13.21	978,749	13.42
Bohai Rim Economic Zone	1,288,078	16.19	1,137,282	15.59
Central China	1,290,880	16.22	1,196,075	16.40
Western China	947,510	11.91	875,476	12.00
North Eastern China	265,215	3.33	250,190	3.43
Overseas	359,446	4.52	376,277	5.16
Head Office	528,330	6.64	481,741	6.60
Total	7,957,085	100.00	7,294,965	100.00

The Group's deposit balances by geographical segments as at the dates indicated are as below:

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Deposit balances	Proportion (%)	Deposit balances	Proportion (%)
Yangtze River Delta	2,363,907	27.64	2,157,812	27.15
Pearl River Delta	1,057,766	12.37	1,024,315	12.89
Bohai Rim Economic Zone	1,825,945	21.35	1,671,923	21.02
Central China	1,365,881	15.99	1,260,425	15.86
Western China	894,662	10.46	846,610	10.65
North Eastern China	426,274	4.98	391,719	4.93
Overseas	465,463	5.44	480,408	6.04
Head Office	3,489	0.04	3,772	0.05
Accrued interest	147,828	1.73	112,088	1.41
Total	8,551,215	100.00	7,949,072	100.00

(3) Operating results by business segments

The Group's four main business segments are corporate banking, personal banking, treasury businesses and other businesses.

FINANCIAL STATEMENT ANALYSIS

The Group's profit before tax and net operating income by business segments for the periods indicated are as below:

(in millions of RMB unless otherwise stated)

	2023		2022	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Net operating income	**258,014**	**100.00**	257,346	100.00
Corporate banking	**127,582**	**49.45**	125,006	48.58
Personal banking	**106,818**	**41.40**	106,162	41.25
Treasury businesses	**22,944**	**8.89**	25,129	9.76
Other businesses	**670**	**0.26**	1,049	0.41
Profit before tax	**99,698**	**100.00**	98,115	100.00
Corporate banking	**50,559**	**50.71**	42,410	43.22
Personal banking	**33,540**	**33.64**	34,091	34.75
Treasury businesses	**15,779**	**15.83**	21,299	21.71
Other businesses	**(180)**	**(0.18)**	315	0.32

Note: The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

5. Capital Adequacy Ratio

The Group calculated the capital adequacy ratios pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* and the relevant requirements. As at the end of the Reporting Period, the Group's capital adequacy ratio, tier-1 capital adequacy ratio and common equity tier-1 capital adequacy ratio were 15.27%, 12.22%, and 10.23% respectively, all of which complied with the regulatory requirements.

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	The Group	**The Bank**	The Group	The Bank
Net common equity tier-1 capital	**905,394**	**753,713**	840,164	701,902
Net tier-1 capital	**1,081,683**	**928,503**	1,016,644	876,692
Net capital	**1,351,116**	**1,192,473**	1,250,317	1,104,732
Common equity tier-1 capital adequacy ratio (%)	**10.23**	**9.55**	10.06	9.40
Tier-1 capital adequacy ratio (%)	**12.22**	**11.76**	12.18	11.74
Capital adequacy ratio (%)	**15.27**	**15.10**	14.97	14.80

Note:

1. The above calculation excluded China BoCom Insurance Co., Ltd. and BOCOM MSIG Life Insurance Company Limited.
2. According to regulatory requirements of the *Implementation Scope of the Advanced Measurement Approach of Capital Management* approved by the regulatory authorities, the credit risk was assessed by the internal rating-based approach, the market risk was assessed by the internal model approach, and the operational risk was assessed by the standardised approach. The credit risk not covered by the internal rating-based approach was assessed by the weighted approach. The market risk not covered by the internal model approach was assessed by the standardised approach. The operational risk not covered by the standardized approach was assessed by the basic-indicator approach.

For further information on the Group's capital measurement, please refer to the 2023 Capital Adequacy Ratio Report of Bank of Communications Co., Ltd. published at the website of SSE, the HKEXnews's website or the official website of the Bank.

6. Leverage Ratio

The Group calculated the leverage ratio pursuant to the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised).* As at the end of the Reporting Period, the Group's leverage ratio was 7.03%, which complied with the regulatory requirements.

(in millions of RMB unless otherwise stated)

	31 December 2023	30 September 2023	30 June 2023	31 March 2023
Net tier-1 capital	**1,081,683**	1,054,858	1,036,471	1,039,682
Balance of adjusted on-and off balance sheet assets	**15,397,025**	15,113,086	15,150,643	14,983,789
Leverage ratio (%)	**7.03**	6.98	6.84	6.94

Please refer to "Supplementary Information on Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio" for more information on the leverage ratio of the Group.

BUSINESS REVIEW

III. BUSINESS REVIEW

1. Development Strategies and Implementation

Guided by the strategic goal of "building a world-class banking group with distinctive advantages", the Group continued to build four major business characteristics while improving the quality and efficiency of serving the real economy, and regarded green finance as the keynote for the business operation and development of the entire group. With construction of "Shanghai Base" and digital transformation as strategic breakthroughs, the Group has continued to optimize the credit structure, promote product innovation, increase resource investment, strengthen service capacity, maintain stable development quality, further improve comprehensive capabilities, and achieve strategic improvement of phased goals.

(1) Creating business features while striving for excellence and achievements

Inclusive finance. The Group continuously increased financial support to small and micro enterprises and for rural revitalisation, being devoted to expanding domestic demand and boosting consumption, and steadily improving the quality and efficiency of inclusive financial businesses. As at the end of the Reporting Period, the balance of inclusive loans provided to small and micro enterprises and agriculture-related loans increased by 29.38% and 24.80% respectively compared with the end of last year, and by 159.99% and 54.94% respectively compared with the end of 2020. The number of customers of inclusive services provided to small and micro enterprises with a loan balance increased by 16.51% over the end of the previous year, and by 2.3 times over the end of 2020. Annual personal comprehensive consumption loans and personal business loans reached the highest level in history.

Trade finance. The Group actively served the development of the industrial chain and the supply chain and promoted the high-level opening-up to the outside world. The Group further stimulated the capability of trade finance in serving the real economy and the new development landscape of dual circulation. In 2023, the amount of trade finance incurred (1.5 trillion) and industrial value chain financial business (577.7 billion) were 2.4 times and 2 times that of 2020, respectively. The amount of cross-border RMB receipts and payments (1.9 trillion) for the whole year was 2.5 times over that of 2020. Cross-border business income was 1.6 times over that of 2020.

Sci-tech finance. The Group kept up with the pace of national technological self-reliance and industrial transformation and upgrading, concentrating financial resources on original and pioneering sci-tech research to achieve breakthroughs. The Group focused on serving strategic emerging industries, advanced manufacturing, technological innovation, traditional industry upgrading and other fields, and optimizing the customer structure and asset structure. As at the end of the Reporting Period, sci-tech finance credit customers increased by 41.2% over the end of the previous year; and strategic emerging industry loans, "SRDI (specialized, refined, differential, innovative)" small and medium-sized enterprises loans, and technology-based small and medium-sized enterprises loans increased by 31.12%, 73.95%, and 39.54%, respectively.

Wealth finance. The Group proactively implemented the development ideology of providing finance for the people, and created a full-chain wealth management operating system to match the multi-level wealth management needs of the people. As at the end of the Reporting Period, individual financial assets under management (AUM[2]) managed by domestic banking institutions increased by 8.23% over the end of the previous year, and by 28.21% over the end of 2020. The Group continued to expand our customer base and explore potential customers, with the number of middle and high-end customers increasing by 9.06% over the end of the previous year, and by 39.22% over the end of 2020. The balance of the Group's wealth management products increased by 7.91% compared with the end of the previous year, and by 19.06% over the end of 2020. The proportion of net-worth wealth management products increased by 4.62 percentage points compared with the end of the previous year, and by 42.19 percentage points over the end of 2020.

Green finance. The Group integrated the concept of green development into the entire process of creating distinctive business characteristics, and consistently strengthened efforts in supporting green and low-carbon transformation. The Group improved the "2+N" green finance policy system to integrate green development concepts into credit management procedures and promote the construction of a green intelligent identification and ESG evaluation system. The Group integrated green credit, green investment banking, green inclusive finance, and other products into a comprehensive service solution based on a variety of green development scenarios, and launched innovative green finance services such as green leasing and green industry investment. As at the end of the Reporting Period, the balance of green loans increased by 29.37% over the end of the previous year, and by 126% over the end of 2020. The balance of green bond investments increased by 68.66% over the end of the previous year. The results of BoCom's green finance initiatives have been included in the Green and Low-carbon Case Study of the First Carbon Neutrality Expo.

(2) Continuing to exert efforts by focusing on two breakthroughs

Leveraging the advantages and leading role of "Shanghai Base". The Group continued to promote innovation and breakthroughs, and are focused on making "Shanghai Base" a source of innovation for the Group. As at the end of the Reporting Period, the market shares of general deposits and general loans of the Shanghai branch increased by 0.17 percentage point and 0.21 percentage point respectively over the end of the previous year. In terms of serving economic and social development in Shanghai, the coverage rate of cooperation in major projects at the city and district level in Shanghai increased by 13.76 percentage points compared with the end of the previous year. The Group has supported the improvement of the core functions of Shanghai to develop as an international financial centre with the annual transaction trading volume of the interbank market for the year increased by 32% on a year-on-year basis and transaction volume in each market segment maintained as an active trader, and ranked first in clearing business market in Shanghai Clearing House. With a focus on areas such as "Credit for Medical Treatment", Sci-tech finance, BOCOM-Government Connect, consumption and pensions, the Group developed a series of cases showing innovation led by the main base to promote bank-wide transformation with the purpose of establishing innovative businesses within the entire bank.

2 Excluding the fair value of customers' securities, same applies hereinafter.

BUSINESS REVIEW

Deeply promoting digital transformation. The Bank speeded up the construction of a "New Digital BoCom" and promoted the deep integration of technology and business. As at the end of the Reporting Period, the Bank continued to increase investment in digital transformation, with fintech talent accounting for 8.29% of the total number of employees of the Group. The Bank further improved the enterprise-level data standards system, with further enhancements in data support capabilities. The Group focused on prioritizing the retail business to develop a digital operating system and promote the overall construction of the enterprise-level structure, middle office and product factory, while at the same time implemented the retail credit and "BoCom Express Pay" enterprise-level structure projects. New versions of personal mobile banking, corporate mobile banking and corporate online banking were launched. BOCOM On-cloud and physical outlets were deeply linked, and the proportion of customers acquired online for inclusive service provided to small to micro enterprises exceeded 80%. The Bank deepened the application of artificial intelligence (AI) in scenarios such as customer service, product promotion, and risk mitigation and control. The Bank also accelerated the planning of new digital infrastructures, including further promoting the initiative of "laying a strong foundation, building an efficient network, constructing a cloud platform, and consolidating the core business systems", operating the new local data centre in Pujiang District to the highest standards, intensifying the construction of remote data centres, accelerating the development of "cloud" infrastructure, and speeding up the launch of a new generation of distributed cloud computing architecture.

2. Corporate Banking Business

- The Bank served the real economy by promoting an increase in total credit allocation with an excellent structure. During the Reporting Period, the Group's corporate loan balance increased by 468.180 billion or 9.94% over the end of the previous year, in which medium and long-term loans of the manufacturing industry, green credit, and agriculture-related loans increased by 39.41%, 29.37% and 24.80%, respectively, all exceeding the average growth rate of the Group's loans.
- The Bank served national strategies and supported the development of key areas. As at the end of the Reporting Period, the balance of loans of three major regions including the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area and the Beijing-Tianjin-Hebei Region increased by 9.86% over the end of the previous year, exceeding the average growth rate of the Group's loans by 0.79 percentage point. Balance of loans in these three major regions accounted for 53.84%, representing an increase of 0.39 percentage point over the end of the previous year.
- The Bank is fully devoted to creating business features and has accelerated the development of sci-tech finance and industrial chain finance. At the end of the Reporting Period, the number of credit customers in sci-tech finance increased by 41.20% over the end of the previous year. The loan balance of strategic emerging industries increased by 31.12% over the end of the previous year, and its proportion in corporate loans increased by 2.56 percentage points over the end of the previous year. The business volume of industrial value chain financing increased by 21.20% year-on-year.

(1) Customer development

The Bank continuously optimised the management of corporate customers by tiered classification and built a refined and professional service system. As at the end of the Reporting Period, the total number of corporate customers of domestic banking institutions increased by 8.18% over the end of the previous year.

For group customers, the Bank increased its services and support for national strategies such as the building of a strong power in technology, manufacturing, green development, digital economy and agriculture. It also committed to establishing a group-wide integrated and collaborative service system and continued to optimise customer service policies and credit procedures in order to improve service level and business synergy. At the end of the Reporting Period, the total number of group customers was 97,500, representing an increase of 9,650 over the end of last year. In terms of government institutions customers, the Bank actively participated in the construction of digital government and the process of digital transformation of cities, helped to provide convenient administrative services, and built a system of intelligent government products. As at the end of the Reporting Period, the number of government institutions customers reached 77,000, representing an increase of 2,944 over the end of the previous year. For small and micro basic customers, the Bank further implemented the strategy of "Internet Management, Online Management and Remote Management", and established a new generation for the call system, enhanced support for digital batch financial services, and improved the quality and efficiency of online-offline collaborative services. As at the end of the Reporting Period, the number of small and micro basic customers reached 2,444.7 thousand, representing an increase of 188.8 thousand over the end of the previous year.

(2) Scenario construction

The Bank intensively explored scenario construction through digital thinking, gaining noticeable achievements in subdivided scenarios such as medical care, industrial parks, central corporate treasury and interbank fund management. The "Credit for Medical Treatment" initiative has been launched in 82 cities, including Shanghai, Nanjing, Dalian, Guangzhou and Kunming, to solve the problem of queuing for medical treatment through the new model of "Treatment First and Payment Later". With the focus on "fee collection" and "fee reconciliation", the Group created a comprehensive service solution combining both online and offline channels to offer distinct features in different scenarios, including industrial parks and electricity payment. The total number of customers signed up on the Intelligent Financial Services Platform exceeded 138.5 thousand, representing an increase of 27,200 over the end of the previous year, with a collection and settlement volume of 1,985.751 billion, representing a year-on-year increase of 121.11%. The Group actively served the construction of a treasury system for central and state-owned enterprises, and the Group is among the first in the industry to launch account monitoring services based on the request of customers to enhance the visibility of their accounts. With a focus on the informatisation of enterprise financial management, the Group launched an inter-bank fund management system to address the pain points and difficulties of enterprises in inter-bank fund management.

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(3) Inclusive service provided to small and micro enterprises

The Group has continued to increase the scale and coverage of its credit business to strengthen financial support for key areas including small and micro enterprises who are first-time lenders, credit lending, sci-tech-based small and micro enterprises, and small and micro manufacturing enterprises. The Group have created a unified brand for inclusive finance and rural revitalization – BoCom Zhanyetong and BoCom Yinongtong, to enable the driving of online standard products and customized scenario products. The Group consistently optimise our business processes to facilitate remote audio and video verification, direct connection and handling of mortgage registrations, as well as centralized post loan monitoring and management. By focusing on customer operation pain points in payroll, tax, people, and other issues, we provide the BoCom Jiaoxintong digital platform free of charge to support enterprises in their transformation and upgrade. The Group consistently enhance our evaluation, incentive and resource mechanisms to promote the "conduct of inclusive finance by all employees". By concentrating on technological empowerment, the Bank has consolidated the digital risk control system, and strengthened post loan management and compliance management to firmly uphold the risk bottom line.

At the end of the Reporting Period, the balance of inclusive loans provided to small and micro enterprises was 590.279 billion, representing an increase of 29.38% over the end of the previous year. The number of customers with loan balances was 341.5 thousand, representing an increase of 16.51% over the end of the previous year. The accumulated average interest rate of inclusive loans provided to small and micro enterprises was 3.43%, representing a year-on-year decrease of 32 basis points. Non-performing loan ratio of inclusive loans provided to small and micro enterprises was 0.70%, representing a decrease of 0.11 percentage point over the end of the previous year. Also, 2,780 business outlets of the Bank provided financing services for small and micro enterprises.

(4) Industrial chain finance

By capturing the strategic opportunity brought about by the construction of a modern industrial system, the Bank continues to conduct the "100 cores and 1,000 chains" initiatives, with a focus on key customer groups such as central and state-owned enterprises, strategic customers and leading local enterprises, increasing the support given to key sectors, including manufacturing, scientific and technological innovation and green development, as well as assisting the real economy to strengthen, supplement and extend the industrial chain. We enhanced the iterative optimisation and marketing of the self-built smart transaction chain platform, continued its integration with core enterprises and third-party supply chain platforms, and created digital scenario-based service features for industrial chain finance. The Bank continued to enrich its rapid financing product line to improve service efficiency, optimise the customer experience, and enhance the digitalisation of business development. During the Reporting Period, the industrial chain financing business volume amounted to 577.685 billion, representing an increase of 21.20% on a year-on-year basis and the number of upstream and downstream enterprises in the industrial chain amounted to 47,300, representing an increase of 79.79% year-on-year.

(5) Sci-tech services

The Bank proactively adhered to the strategy of strengthening the country through science and technology, reinforced the connection between industry and finance, and leveraged the advantage of full licenses to provide sci-tech enterprises with diversified financial products and services throughout their entire life cycle in order to excel in sci-tech finance area. The Bank optimised customer structure and asset structure by focusing on serving strategic emerging industries, advanced manufacturing industries, sci-tech innovation, green and low-carbon, and the upgrading of traditional industries, etc. The Bank focused on key clients including high-tech enterprises, sci-tech small and micro enterprises, national manufacturing leaders, specialised and new "little giants", specialised and new small and micro enterprises, and model companies for national technology innovation, to build an "eight specialists" mechanism to serve sci-tech innovation enterprises. In addition, it also launched the "BoCom Sci-tech Innovation" brand to introduce exclusive service solutions covering the four major product lines of "equity, debt, lending and rental" and the three major scenarios of "industrial chain, business cycle and industrial park". Focusing on the different life stages of inclusive sci-tech innovation enterprises, the Bank has improved the level of online financing services. As at the end of the Reporting Period, the number of sci-tech finance credit customers increased by 41.20% over the end of the previous year, the loan balance of strategic emerging industries increased by 31.12% compared with the end of the previous year. There were 4,783 "little giant" enterprises of "specialisation, delicacy, characterisation and novelty", with a market coverage rate of 39.26%; their loan balances increased by 55.41% over the end of the previous year.

(6) Investment bank

The Bank continues to consolidate a comprehensive range of products for all customers and establish itself as the most innovative investment bank. During the Reporting Period, bond underwriting according to NAFMII (debt financing instruments for non-financial enterprises) reached 301.88 billion. We strive to serve the sci-tech financial strategy by providing services such as bill underwriting, M&A loans, and equity investment to sci-tech enterprises amounting to 35.89 billion, representing an increase of 126.7% year-on-year. We promoted the establishment of BoCom Sci-tech Innovation • Shanghai sci-tech finance master-feeder fund to meet the needs of technology start-ups for equity investment with the purpose of reaching customers at an earlier stage. The Bank served the green development strategy, and saw rapid growth in the green bond underwriting business, green M&A loans, and the green equity investment business. The bank implemented 38.45 billion in green finance investment banking business for the year, representing a year-on-year growth of 107.6%. It was invited to join as a member of the Green Bond Standards Committee jointly established by the PBOC and the CSRC. In order to meet the reasonable direct financing needs of real estate enterprises, the Bank had underwritten real estate corporate bonds of 13.59 billion, representing an increase of 56.5% year-on-year, taking advantages of its diversified product portfolios such as private enterprise bond financing and credit risk mitigation warranty (CRMW). In order to shape new advantages in digital finance, the Bank continued to iteratively upgrade the "Win to Fortune e-Smart" information consultancy system. The first batch of hybrid sci-tech innovation bills in interbank market underwritten by the Bank as the lead underwriter won the "Excellence Award" of the Science and Technology Innovation Center of Shanghai Financial Industry Federation.

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3. Personal Banking Businesses

- The personal deposits grew steadily. As at the end of the Reporting Period, the balance of personal deposits amounted to 3,358.156 billion, representing an increase of 13.62% over the end of the previous year. During the Reporting Period, with more intensified structural adjustments and pricing control, the interest payment cost ratio for RMB savings deposits of domestic banking institutions was 2.28%, representing a decrease of 9 basis points over the end of the previous year.
- The consumption loans grew rapidly. With the focus on enhancing the coverage, availability and satisfaction of financial services, the Bank increased the granting of inclusive loans to better meet the consumption credit needs of the people. As at the end of the Reporting Period, the balance of personal loans amounted to 2,473.100 billion, representing an increase of 4.56% over the end of the previous year. Of which, the balance of personal consumption loans was 158.117 billion, an increase of 86.25% over the end of the previous year, representing an increase in the market share[3] by 1.54 percentage points over the end of the previous year.
- The base of retail customers is stable and strengthened. The Bank adhered to the tiered and categorised operating system for clients and enhanced customer acquisition through "online + offline" channels under all scenarios. As at the end of the Reporting Period, the number of retail customers of domestic institutions reached 192 million, and the number of middle and high-end customers exceeded 2.5 million, representing an increase of 9.06% over the end of the previous year.

(1) Retail customers and AUM

The Bank deepened the management of retail customer stratification and classification to build precise customer profiles for the purpose of enabling the sophisticated and intelligent reach to different customer groups. The Bank strived to promote retail digital transformation by creating an integrated "online + offline" full process service system, enriched financial service scenarios, enhanced the effectiveness of customer acquisition and activation within all channels and scenarios, improved the ability for value creation, and enabled sustained and stable growth in AUM. As at the end of the Reporting Period, the number of retail customers of domestic branches (including debit card and credit card customers) increased by 0.25% over the end of the previous year to 192 million[4]. The number of qualified OTO Fortune customers increased by 9.07% over the end of the previous year to 2.4200 million. As at the end of the Reporting Period, the scale of AUM increased by 8.23% over the end of the previous year to 5,001.919 billion.

(2) Wealth management

Adhering to a customer-oriented philosophy, the Bank constantly improved its product offerings, enhancing the availability and coverage of its services so as to benefit its customers with secured and profitable financial products with high liquidity and to meet the increasing demand for wealth management products. We proactively responded to the unfavourable external environment to build a robust full-chain operating system for the wealth

3 17 commercial banks

4 The slower growth in the number of customers for the entire year over that in the first half of the year was due to the clearing of dormant accounts.

management business. Further driven by investment and research, we integrated group resources to establish a collaborative investment strategic meeting mechanism within the entire Group. By holding on to the principle of openness and integration, the Bank selected high-quality products from the market to enrich inclusive financial products with low starting points and stable returns, and established strict selection criteria for "OTO Best Choice" products. The Bank adopted a data driven approach to facilitate the re-engineering and reshaping of asset allocation, operating system, and service models to empower business development. The Bank also improved customer accompaniment by working with leading partner institutions to leverage an open wealth management platform to provide outstanding full-process services. The "OTO Best Choice" product series outperformed its market counterparts in 2023. As at the end of the Reporting Period, the balance of personal public funds products on consignment was 224.280 billion, the balance of personal wealth management products on consignment was 853.135 billion, and the balance of insurance products on consignment was 291.412 billion.

(3) Payment and Scenarios

The Bank increased financial support for consumption by launching promotional activities for the purchase of automobiles, household items, and home electrical appliances, and conduced time-honoured carnival-themed marketing activities together with China UnionPay. Themed debit cards were issued alongside a reduction of handling fees and an increased promotion of benefits such as consumption discounts for four major types of new citizens made up of migrant workers and farmers, self-employed business owners and small and micro entrepreneurs, white-collar workers, and college students, as well as elderly people moving alongside their children. We also provided support to flexible employment workers to settle their provident fund and pension insurance through mobile banking or in branches. During the Reporting Period, a total of 863,300 debit cards were issued to new citizens. As at the end of the Reporting Period, the accumulated number of debit cards issued amounted to 177.9344 million, representing a net increase of 4.4189 million over the end of the previous year.

The Bank enhanced financial services through digital transformation to build a service model of "finance + technology + scenarios". The Bank focused on the construction of government affairs scenarios and government APP for citizens, and provided full-link financial services from account management, bill collection, consumer lending to quick payment for the purpose of improving its service capabilities in high-frequency scenarios such as travel and payment. In specific transportation scenarios, such as the charging of new energy vehicles, public transportation, and ETC travel, the Bank provided convenient services to more than 70 million passengers in 360 urban areas across the country. The Bank focused on medical and health scenarios, optimised the payment process for medical treatment, expanded service scenarios such as community hospitals, cross provincial medical treatment, and drug purchases, and established a mobile payment platform for medical insurance, so as to provide convenient and beneficial payment services. By leveraging BoCom Smart Schools, the Bank provided comprehensive, secured, and intelligent solutions to meet the financial needs of teachers and students. We provided agency settlement services for student loans granted by China Development Bank in 11 provinces (autonomous regions and municipalities). The proportion of customers acquired through online channels during the Reporting Period accounted for 26.88%, representing an increase of 9.01 percentage points over the end of the previous year.

(4) Consumer finance

The Bank adapted to the new changes and trends in the real estate market and actively supported residents' demand for both rigid and improved housing. And the Bank Successfully completed the stock mortgage interest rate adjustment project, with the whole process of digitization to enhance customer experience. In order to serve the country's strategy of expanding domestic demand, the Bank innovated and launched new citizen exclusive consumer loans for college graduates "Elite Benefit Loan", and enhanced end-to-end digital operations to better cover diverse customer credit needs. The Bank set up a new automobile scene loan matrix process, which combined credit and mortgage, head office and branch, online and offline. As a result of the Bank's increased cooperation with car brands and dealers, the balance of new energy vehicle loans accounted for nearly 50%. The Bank promoted digital transformation in depth, relied on enterprise-level architecture to improve the efficiency of product innovation, and took data as the core driving force; furthermore, the Bank upgraded digital risk prevention and control system, supported unified risk management and differentiated operations, and promoted business accessibility, thereby greatly improving management efficiency.

(5) Private banking

By adhering to a customer-oriented philosophy, the Bank improved product structure and research services, and strengthened wealth finance features. The Bank consistently enriched its product offering by selecting high-quality products from the market and increasing the supply of low-volatility products and private equity products with multiple terms and strategies. It also launched innovative solutions, such as equity and real estate family trusts, insurance family trusts, and family trusts, to continuously enhance the unique features of its wealth management services. The Bank enhanced its asset allocation by improving the "private banking selection" quantitative model and optimising product selection to assist customers with negative market risks and reduce the fluctuation of investment portfolios. The Bank established an investment and research driving mechanism to steadfastly conduct research on the macroeconomic environment and major types of assets, fixed income products, equity investment products, precious metals and foreign exchanges, to provide support for the Group's asset management and wealth management business. The Bank proactively promoted shared prosperity by launching an innovative charitable trust ecosystem to give full play to the synergy of "finance + charity" to implement a number of charitable trust projects, such as "White Tea Charity Program", "Heartfelt Happiness", and "Let's Light Up Dreams", to form a virtuous cycle for multiple parties to participate in charity. As at the end of the Reporting Period, there were 83.6 thousand private banking customers of the Group, representing an increase of 8.54% over the end of the previous year; the assets of private banking customers under management of the Group were 1,166.4 billion, representing an increase of 7.56% over the end of the previous year.

(6) Credit card

The Bank proactively promoted consumption to benefit people's livelihoods. With the goal of "giving back to customers, brand building, and stimulating consumption", we renewed and upgraded the "Red Hot Friday" activity. We also launched a number of large-scale card-payment activities, such as the Yearly Prize, the Double-Five Shopping Festival, the 618 Shopping Festival and the Double 11 E-commerce Festival, to boost consumption. During the Reporting Period, we focused on premium customer segments to launch a variety of card products, such as new citizen credit cards and car owner credit cards. The total spending of credit cards ranked third in the industry, remaining unchanged from the beginning of the year. As at the end of the Reporting Period, among the new active users, high-quality target customers accounted for 64.86%, representing an increase of 17.93 percentage points over the end of the previous year.

As at the end of the Reporting Period, cards in force reached 71.3242 million, accounts receivables from domestic branches reached 489.606 billion, an increase by 2.50% over the end of the previous year. During the Reporting Period, the total spending of credit cards reached 2,811.639 billion, in which the volume of online payment transactions increased by 5.84% on a year-on-year basis.

(7) Pension finance

The Bank proactively served the national strategy of coping with an aging population and strived to deliver a remarkable performance in pension finance. The Bank solidly promoted its personal pension business, with the scale of personal pension accounts continuing to grow. We also integrated various government affairs with people's livelihood scenarios to continuously optimise the customer experience and improve the availability and convenience of services. A total of 159 types of products were sold on a commission basis, with all categories of product shelves available, maintaining an industry leading position in terms of the total number of products offered. The Bank continued to strengthen account management and custody services of the national social security fund, basic pension funds and enterprise (occupational) annuity, with the scale of pension custody ranking at the forefront in the industry. By serving the construction of the national inclusive elderly care service system, the Bank proactively promoted the development of its special inclusive pension refinancing business, improving financial support for elderly care service institutions, with the credit balance of the elderly care service industry increasing by 22.09% and the number of credit customers increasing by 23.08% over the end of the previous year.

Giving full play to the advantages of integrated operations, the Bank's subsidiaries proactively carried out the pension finance business, with the management scale of pension target funds ranking first in the industry, and the yield of pension wealth management products being among the leaders in the market. To leverage the inclusive protection offered by insurance products, the Bank offered the first personal pension annuity insurance product and relaxed the age limit for pension annuity products to serve the diversified pension wealth management needs of the people.

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4. Interbank and Financial Market Businesses

◆ The Bank actively supports the construction of a modern financial system with Chinese characteristics. We intensively participated in the financial market development of bonds, currencies and foreign exchange within China, improved its market making and quotation abilities, deepened its business cooperation in the financial market, optimised its professional custody services, and transformed financial market products into quality services that meet the needs of economic and social development as well as the demands of all kinds of customers, constantly strengthening the capabilities to serve the real economy.

(1) Inter-bank businesses

The Bank optimised the settlement business within the financial market, ensuring its smooth operations. During the Reporting Period, the volume of the Bank's agency clearing business in the Shanghai Clearing House, the volume the agency settlement business in the Shanghai Gold Exchange, and the volume of the securities and futures settlement business were leading the market. The Bank proactively participated in the innovation of the financial market, being the first to carry out standard interest rate swap agency clearing business, and one of the first to carry out agency clearing business for foreign currency pairs in the Shanghai Clearing House. The Bank acted as clearing agent for the first foreign institutional investor participating in the central counterparty clearing business for interbank standard bond forward transactions, and processed the first agency clearing business of "Southbound Trading" for domestic investors.

The Bank enriched the scene of inter-bank cooperation in order to better meet the financial service needs of all kinds of customers. At the same time, the Bank served the construction of the local market, carried out third-party deposit service cooperation with 107 securities companies, financing and lending deposit service cooperation with 93 securities companies, and transferred service cooperation with 148 futures companies, in order to serve customers and market investment transactions in the market. In addition, the Bank strengthened its cooperation with cross-border inter-bank payment and clearing limited companies, vigorously expanded domestic and foreign participants, and helped the people to expand the global network of cross-border payment systems. Actively apply the deployment of new products of the people's cross-border payment system to provide safe and efficient people's cross-border payment services for enterprises to "go out". At the end of the reporting period, the standard payers of the cross-border payment system and the number of customers ranked at the forefront of the market.

(2) Financial market businesses

Focusing on national strategies and the needs of the real economy, the Bank leveraged a combination of investment and trade instruments to provide financial support to major strategies, key regions, and weak links, for the purpose of serving high-quality economic development.

The Bank gave full play to its role as "financial stabiliser" as a leading state-owned bank, and proactively conducted market making, quotations, and trading to help shape the "Shanghai Price".

During the Reporting Period, the trading volume of in Renminbi currency market amounted to 119.42 trillion; the trading volume of foreign currency amounted to USD1.12 trillion, the trading volume of Renminbi bonds amounted to 6.33 trillion; the trading volume in interbank foreign exchange market amounted to USD4.23 trillion; the trading volume of self-operated gold amounted to 5,604 tons, maintaining its market position as an active trading bank.

Serving the construction of Shanghai as an international financial centre, the Bank was one of the first to conduct innovative businesses such as "Swap Connect", green repurchasing, standard interest rate swap contract trading, the central counterparty clearing business of foreign currency pairs in the interbank market, and single-click trading of foreign exchange options. As one of the first batch of quotation agencies, the Bank created the "BoCom 1-5 Years Treasury Bond Basket" strategy and completed the first batch of trading.

(3) Asset custody businesses

The Bank met the needs of residents for wealth management and asset allocation, maintained the improvement in the capacity of high-quality custody products, and expanded the custody business of public funds. Focusing on the "three pillars" of old-age care of stabilising the current capacity, promoting growth, and optimising services, the Bank consolidated its brand advantage in the pension custody business. It also focused on expanding the customer groups of interbank cooperation and the custody market of various asset management products. By focusing on key industries encouraged and supported by national policies, such as sci-tech innovation, "specialisation, delicacy, characterisation and novelty" enterprises, the Bank improved its comprehensive service system and expanded its custody business for private equity funds. By seizing the opportunities afforded by policies in promoting connectivity of financial markets, the Bank promoted the development of cross-border custody businesses. As at the end of the Reporting Period, assets under custody reached 13.74 trillion.

5. Integrated operation

- The Group established development pattern with commercial banking business as the body, in close coordination and connection with other businesses including financial leasing, fund, wealth management, trust, insurance, overseas securities and debt-to-equity swap, so as to provide comprehensive financial services for customers.
- During the Reporting Period, net profits of subsidiaries[5] that are attributable to shareholders of the Bank amounted to 9.170 billion, the proportion of which to the Group's net profit was 9.89%. As at the end of the Reporting Period, total assets of the subsidiaries are 663.140 billion, the proportion of which to the total assets of the Group was 4.72%.

5 Excluding Bank of Communications (Luxembourg) S.A., Bank of Communications (Brazil) Co., Ltd. and Bank of Communications (Hong Kong) Limited, same applies hereinafter.

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Bank of Communications Financial Leasing Co., Ltd. As the Bank's wholly owned subsidiary, the company was set up in December 2007 with a registered capital of 20.0 billion. The main business scope includes financing leasing and operating leasing in sectors such as aviation, shipping and energy power, transportation infrastructure, equipment manufacturing and livelihood services. The company was elected as the Fifth Chief Administration Unit of China Banking Association (CBA) Financial Leasing Committee. During the Reporting Period, the company adhered to the development strategies of "Professionalism, Internationalisation, Differentiation and Characteristics", and was deeply engaged in aviation, shipping, traditional financing leasing and other businesses. As at the end of the Reporting Period, total assets were 404.664 billion. The balance of net assets was 44.881 billion, the balance of leasing assets was 355.951 billion. The company's total assets, leasing assets, operating income, net profit and other main business indicators are ranked first in the financial leasing industry. The company owned and managed 447 ships and 124.922 billion of aircraft charter assets. The company was the largest leasing company in the domestic merchant fleet. The company also had a fleet of 307 planes and had aviation leasing assets cost 101.589 billion. The company's net profit during the Reporting Period was 4.006 billion, representing a year-on-year increase of 5.02%. The company has won a total of 36 internal and external honorary awards, such as successively winning the "Best Financial Leasing Company of the Year" in the Gold Medal Award of Chinese Financial Institutions by the Financial Times.

During the Reporting Period, the company deeply served the major national strategies and continued to increase support for key strategic regions such as Beijing-Tianjin-Hebei, the Yangtze River Delta, and Guangdong-Hong Kong-Macau. As at the end of the Reporting Period, the balance of leasing assets in these three regions amounted to 104.4 billion, representing an increase of 20.76% over the end of the previous year, accounting for 47% of domestic business. Focusing on "a new development stage, philosophy and pattern, as well as high-quality development", the Bank deepened its transformation and innovation, and supported the self-development of high-level technologies. During the Reporting Period, 32.721 billion was invested in new infrastructure and new energy leasing businesses, representing a year-on-year growth of 94.41%; 22.225 billion was invested in the manufacturing industry, representing a year-on-year increase of 141.26%; 16.825 billion was invested in 89 sci-tech enterprises, representing an increase of over 100% year-on-year. During the Reporting Period, the company was the only financial leasing company selected as a sci-tech finance pilot institution by the Shanghai Office of the former CBIRC and took the lead in establishing the Shanghai Financial Leasing Service Integrated Circuit Industrial Laboratory.

Bank of Communications International Trust Co., Ltd. The company was set up in October 2007 with a registered capital of 5.765 billion, of which the Bank and Hubei Provincial Communications Investment Group Co., Ltd. contributed 85% and 15% shares respectively. The main business scope includes trust loans, equity investment trusts, securities investment trusts, credit asset securitization, corporate asset securitization, qualified domestic institutional investor (QDII), family trusts, charitable trusts, etc. During the Reporting Period, the company adheres to the principle of stability, takes the strategic goal of creating "the most trustworthy first-class trust company", accelerates the transformation and development, and deepens the synergy of the Group. As at the end of the Reporting Period, the total assets, net assets and the assets under management of the company were 17.466 billion, 16.145 billion and 563.581 billion respectively. The company's net profit during the Reporting Period was 0.771 billion, representing a decrease of 18.21% on a year-on-year basis. The company has been rated as Level A (the highest level) for eight consecutive years in the industry rating launched by the China Trustee Association.

During the Reporting Period, in accordance with the regulatory requirements of "Three-Categories" of trust management, the company made intensive efforts in the fields of asset service trusts, asset management trusts, and charity trusts to promote the development of business transformation. The "Thousand Points of Light" family service trusts were innovatively launched to promote the inclusive application of trusts. As at the end of the Reporting Period, the size of the family wealth management business reached 14.948 billion, an increase of 70.02% over the end of the previous year; the size of self-managed fixed-income standard products reached 105.859 billion, an increase of 74.39% over the end of the previous year; 13 charitable trusts were set up covering rural revitalisation, education subsidies, medical care, helping the elderly and the disabled, etc.

Bank of Communications Schroder Fund Management Co., Ltd. The company was set up in August 2005 with a registered capital of 0.2 billion. It was jointly contributed by the Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd., with the shares accounting for 65%, 30% and 5% respectively. The primary businesses include fund raising, fund sales and asset management. The company has won the "Golden Bull Fund Management Company" award for five consecutive years, and once again secured the "grand slam" of Golden Bull, Star Fund and Golden Fund awards. As at the end of the Reporting Period, the company's total assets and net assets were 7.783 billion and 6.705 billion respectively, and the public fund under management reached 487.2 billion. Affected by the fluctuations in the market, the company's net profit during the Reporting Period was 1.201 billion, representing a decrease of 24% on a year-on-year basis.

The company continuously improved core competitiveness in investment research, forming a product system with clear risk-return characteristics in areas such as equity investment, multi-asset investment, fixed-income investment, and its investment advisory strategy, striving to develop into a first-class fund company with core competitiveness for high-quality development to help the Group deepen its wealth finance features. During the Reporting Period, the company fulfilled its institutional responsibility towards public equity funds by insisting on maintaining equity funds at a low-level and with a countercyclical layout, being the first batch of financial institutions to participate in public fund rate reform, and purchasing its own equity funds several times. In October 2023, the BoCom Schroders Ruiyuan 3-year Fixed Period Open Hybrid Securities Investment Fund of 1.668 billion was issued, becoming the first profit-giving floating rate fund established after the public fund rate reform that had raised the largest amount in the market.

BOCOM Wealth Management Co., Ltd. As a wholly-owned subsidiary of the Bank, the company was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues wealth management products of fixed income, equity, commodities,

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financial derivatives and hybrid categories to customers. During the Reporting Period, the company adhered to the customer-centric and investor-oriented principles and adjusted the focus of product design and issuance in a timely manner. The company actively expanded consignment agencies outside the Bank, and the balance of products sold under consignment outside the Bank reached 662.536 billion, accounting for 53.80% of the balance of products. The company has preliminarily established an open and diversified omni-channel system with the Bank as the main body. As at the end of the Reporting Period, the balance of wealth management products increased by 13.45% over the end of the previous year to 1,231.417 billion; The company's total assets and net assets were 12.770 billion and 12.369 billion respectively. The company's net profit during the Reporting Period was 1.24 billion, indicating an increase of 4.39% on a year-on-year basis.

During the Reporting Period, the company adhered to the "dual drive" of assets and liabilities, constantly improving the inclusive feature of wealth management, accelerating digital transformation, keeping the risk bottom-line, and helping the Group create the features of wealth finance. During the Reporting Period, the company won several honorary awards including the Golden Bull, Golden-shell, and Golden Wealth Management awards. Its "Innovative Cases of Pension Wealth Management Services" won the "Cases of China's Banking and Insurance Services" for the first time.

BOCOM MSIG Life Insurance Company Limited. The company was set up in January 2010 with a registered capital of 5.1 billion, of which the Bank and the MS&AD Insurance Group contributed 62.50% and 37.50% shares respectively. The business scope includes life insurance, health insurance, accident insurance and reinsurance businesses of the aforementioned insurances in Shanghai as well as regions where its branches were established. As at the end of the Reporting Period, the company's total assets and net assets were 125.587 billion and 5.502 billion respectively. The company took the initiative to optimize its business structure, focusing on the development of value-based term business, achieving insurance service income of 1.449 billion, which increased by 11.97% on a year-on-year basis, and new business value of 1.287 billion, representing a year-on-year increase of 46.13%. The equity market was better than the same period last year, and investment income increased, realizing a net profit of 292 million during the reporting period, an increase of 958 million year-on-year.

During the Reporting Period, the company gave full play to the economic "shock absorber" and "social stabiliser" functions of the insurance industry. With a synergy effect within the Group, it further created the business characteristics of "inclusiveness, pensions and wealth" to meet the insurance needs of all customers. In terms of inclusive finance, the company actively participated in the "Shanghai additional commercial medical insurance" and was awarded the Innovative Case of Serving New Citizens by China Banking and Insurance News. In terms of pension finance, it developed and launched individual pension insurance products, actively integrating them into the Group's strategy of pension finance. In terms of wealth finance, it focused on the wealth protection and inheritance needs of high net-worth customers, starting with insurance premium and insurance premium trusts to meet the one-stop service needs of customers within the Group.

BOCOM Financial Asset Investment Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in December 2017 with a registered capital of 15.0 billion. As one of the first pilot banks to implement debt-to-equity swap as determined by the State Council, it is mainly engaged in debt-to-equity swap and supporting services. During the Reporting Period, the company made efforts to develop the main business of market-oriented debt-to-equity swap, and actively reduced leverage ratio and controlled risks for the real economy. Its net incremental investment of the year was 14.298 billion. During the reporting period, the company realized a net profit of 3.125 billion, a year-on-year increase of 178.04%. At the end of the reporting period, the company's total assets amounted to 65.074 billion and net assets amounted to 23.613 billion. At the end of the reporting period, the company filed 27 funds through its subsidiary, BOCOM Capital Management Co., Ltd. with a contribution scale of 18.024 billion, an increase of 116.87%, which further strengthened the momentum of the development of the equity investment business.

During the Reporting Period, the company adhered to its original responsibility of serving the real economy. Guided by the "14th Five-Year Plan" of the Bank of Communications, it focused on sci-tech finance, green finance, support for the private economy, and other key fields to take its advantage of equity investment and improve its comprehensive financial service capabilities.

BOCOM International Holdings Company Limited. The company was set up in June 1998 (formerly known as Communications Securities Co., Ltd. It changed its name to BOCOM International Holdings Company Limited in May 2007). It was listed on the main board of Hong Kong Stock Exchange on 19 May 2017. The main businesses include securities brokerage and margin financing, corporate financing and underwriting, asset management and consulting, investment and loan. As at the end of the Reporting Period, the Bank contributed 73.14% shares of the company. During the reporting period, the company focused its business on key national regions such as Beijing-Tianjin-Hebei, Yangtze River Delta, the Greater Bay Area and Hainan Free Trade Port, actively responded to market shocks, endeavored to reduce operating losses and promoted the transformation of its operating structure. At the end of the reporting period, the company had total assets of HKD18.211 billion and net assets of HKD1.797 billion. During the reporting period, the company's loss decreased year-on-year, with a net loss of HKD1.470 billion.

China BoCom Insurance Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in November 2000 with a registered capital of HKD0.4 billion. The main business includes the operation of 17 types of general insurances approved by the Insurance Authority of Hong Kong. During the Reporting Period, A.M. Best, an international professional rating agency in the insurance industry, assigned the company with a financial strength rating of "A-" (Excellent) and a long-term issuer credit rating of "A-" (Excellent), and recognised both items with a "Stable" outlook. At the end of the reporting period, the company had total assets of HKD1.271 billion and net assets of HKD554 million. During the reporting period, the company realized a net profit of HKD2.63 million, representing a year-on-year increase of 121.16%;

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During the Reporting Period, the company promoted the upgrading and innovation of insurance products to continuously optimise the customer experience and meet customers' insurance demands. The company's gross premiums during the Reporting Period increased by 7.25% on a year-on-year basis to HKD300 million, reaching a record high; the premium profits before expenditure were HKD28.67 million, up 53.88% year-on-year; and the net compensation rate was 30.86%, all of which were maintained at a favourable level.

6. Global Service Capabilities

- The Group has formed an offshore operating network covering major international financial centers and spanning five continents, with 23 offshore branches (subsidiaries) and representative offices worldwide and 69 offshore operating outlets. During the reporting period, offshore banking institutions realized net profit of 5,318 million, accounting for 5.74% of the Group's net profit. At the end of the reporting period, the total assets of overseas banking institutions amounted to 1,249.946 billion, accounting for 8.89% of the Group's total assets.
- The Bank strengthened the convenience of trade and the construction of CNY cross-border scenarios, while enhancing financial services in the field of foreign investment and foreign trade. During the Reporting period, the receipt and payment of cross-border Renminbi increased by 23.30% year-on-year. As at the end of the Reporting Period, cross-border Renminbi trade financing balance increased by 91.92% over the end of the previous year.

(1) Internationalisation development

The Group actively responded to changes in internal and external situations, continuously optimized its development structure and consolidated its advantages in globalized development. Actively serving the country's new development pattern of opening up to the outside world at a high level and providing financial services for Chinese enterprises going global. To build financial bridges connecting internal and external markets, and to provide financial protection for the smooth flow of the domestic and international "double cycle". We will guard the bottom line of risk and safety, strengthen dynamic monitoring and risk pre-study and predetermination, and build the foundation of sustainable and high-quality development of offshore banks.

(2) International settlement and trade financing

The Bank actively supported the stabilisation of foreign investment and foreign trade. It built Silk Road e-commerce/cross-border e-commerce platforms and a direct linking market procurement platform to support small and micro merchants carry out export collection settlement based on electronic transaction information. There were 23 projects under the new forms of foreign trade, with a business volume of 48.592 billion, up 73.88% year on year. The Bank launched a shipping finance integrated service plan, a high-quality development financial service platform for Sino-Europe trains, and an electronic bill of lading finance service plan, included small currency businesses such as Indonesian rupiahs, Thai baht, UAE dirhams, Saudi riyals, South African rand, and Mexican pesos, and iteratively upgraded the digital exchange rate risk-prevention service system to keep improving the quality and efficiency of financial services for foreign trade enterprises. The Bank actively connected with PBOC, SAFE and other government – regulatory platforms, increased technology enablement, promoted more convenient receipt of fees and payment of service trade and capital account, and steadily carried out new forms of offshore international trade. During the Reporting Period, international settlements reached USD509.653 billion. As at the end of the Reporting Period, cross-border trade financing amounted to USD65.991 billion, in which the cross-border Renminbi trade financing balance increased by 91.92% over the end of the previous year.

(3) Overseas service network

The layout of offshore service network has been progressing steadily. As at the end of the reporting period, the Group had 23 overseas branches and representative offices in Hong Kong, New York, London, Singapore, Tokyo, Frankfurt, Luxembourg and Sydney, with 69 overseas operating outlets, providing customers with comprehensive financial services such as deposits, loans, international settlements, trade finance and foreign exchange, etc.; it had established an overseas service network with the head offices of 1,032 banks in 131 countries and regions, and opened 220 service accounts for 93 overseas Renminbi participating banks in 29 countries and regions, and opened 113 foreign currency clearing accounts in 28 currencies with 66 banks in 31 countries and regions.

(4) Cross-border RMB transactions

The Bank proactively served cross-border Renminbi settlement of oil and gas trade, providing financial services for the first Renminbi transaction of the purchase of imported liquefied natural gas settled as well as the first digital Renminbi cross-border payment of oil and gas trade in China. The Bank continued to promote the construction of cross-border Renminbi payment scenarios, launching innovative functions such as full amount of remittance and transfer, and account visualisation. The number of customers for online standard transmit products ranked first in the market. In Shanghai, the Bank built an unique FTZ offshore bond integrated financial services system of "investor, underwriter, trustee, the clearing bank of CGSDTC, and the local clearing bank", with the clearing business ranking first in the market. As at the end of the Reporting Period, the cross-border Renminbi for received and paid amounts of domestic banking institutions reached 1.9 trillion, representing a year-on-year increase of 23.30%.

(5) Offshore services

Deepen the integrated development of offshore and onshore business and the integrated operation of non-resident accounts, and fully tap the business potential of the Yangtze River Delta integration and the new Lingang area of the Shanghai Free Trade Zone. At the end of the reporting period, the asset balance of offshore business amounted to USD14.440 billion.

BUSINESS REVIEW

Column BOCOM – HSBC STRATEGIC COOPERATION

During the Reporting Period, following the principles of 'equal priority' and 'complementary advantage', the Bank and HSBC worked together in promoting cooperation across various fields under the framework of the strategic cooperation mechanism.

The senior management of both parties communicate closely. They restarted face-to-face offline communication. The Bank and HSBC held two top-level meetings at the Chairman/Group Chairman level, maintained the dialogue mechanism for the President/Group CEO, conducted a summit meeting and regular meetings of the Executive Chairman to communicate significant matters of business development in a timely manner, and determined the key areas and objectives of cooperation.

The share of cooperation continues to increase. The two sides steadily promoted cooperation in various business areas under the unified framework of "1+1 Global Financial Services" in accordance with market-oriented principles. The two sides have joined hands to provide syndicated loans to "going out" Chinese enterprises, continue to promote cross-border Renminbi settlement, interbank bond trading and other business cooperation, as well as promote fund distribution cooperation in a steadily increasing scale. Both sides continued to maintain their advantages in overseas cooperation. During the reporting period, the amount of bond underwriting and syndicated loans in Hong Kong grew by 18% and 32% year-on-year respectively.

Both parties shared experience with a practical approach. Under the framework of "Resources and Experience Sharing (RES)", both parties focused on strategy development, and reform and development, amongst other key topics, to carry out mutual training and exchange of business experience. During the Reporting Period, both sides resumed Hong Kong exchange projects, and promoted in-depth exchanges around trade finance, sci-tech finance, and green finance by organising three key training sessions.

2024 marks the 20th anniversary of BoCom-HSBC Strategic Cooperation. The Bank will work with HSBC through close communication and collaboration to further expand cooperation in key areas and key fields around the common strategic priorities of both parties to produce more fruitful results.

7. Channel construction

- Promoting digital transformation from the customers' perspective. The Bank constantly improved the service level of its online financial platform by using financial technologies, focusing on government affairs, medical care, transportation, education, and other key scenarios. It promoted cross-channel collaborative operations and services to meet the multi-level financial service needs of customers.

(1) Corporate online banking and corporate mobile banking

Corporate Online Banking Ver. 6.0 and Corporate Mobile Banking Ver. 2.0 were fully launched, optimising service processes with an Internet mindset. The Bank built a comprehensive service system of "online + offline" and "artificial + intelligent" for customers to expand our online service capabilities, supporting the high-quality development of corporate banking. As at the end of the Reporting Period, the number of contracted customers for corporate online banking (Bank-corporate direct connection) increased by 12.95% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 6.77% on a year-on-year basis. The number of contracted customers of corporate mobile banking increased by 15.04%

over the end of the previous year, and the annual cumulative transaction volume saw an increase of 20.70% on a year-on-year basis.

(2) Personal mobile banking

Holding the philosophy of "finance for the people, service for entities, and technologies for social good" and the theme of "understanding wealth, enjoying life", the Bank launched Personal Mobile Banking Ver. 8.0. With the help of fintech, it upgraded the functions for investment selection, post-investment wealth management, as well as featured-scenario services such as automobile, housing, consumption, and government affairs, creating an integrated service model for account managers, customer service managers, remote video seating, and digital humans. The Bank satisfied the multi-level financial service needs of customers as well as the pursuit of a better life experience, and created a more heart-warming personal mobile banking service. The online zone was convenient for customers to exchange nearly 1,000 non-financial items such as physical goods and membership of music and video applications for the purpose of further enhancing customer loyalty. As at the end of the Reporting Period, the number of monthly active users (MAU) for personal mobile banking was 49.1048 million, an increase of 7.96% over the end of the previous year.

(3) Go Pay APP

BoCom Credit Card Official APP Ver. 7.0 was released to create a "heart-warming" interest-free instalment service. Along with consumption trends, it gathers diversified e-commerce platforms covering computers and digital products, household goods, food and beverages, amongst others, to drive consumption. The App continuously improves the user experience through the mode of acquiring customers with services, achieving an online business diversion rate of 98.09%. As at the end of the Reporting Period, the cumulative number of registered customers of the APP amounted to 77.4025 million and the number of monthly active users (MAU) was 25.7074 million. During the Reporting Period, BoCom Credit Card received the International Data Corporation (IDC) 2023 China Financial Industry Technology Application Scenario Innovation Award.

(4) Open Banking

The Bank continued to enhance the opening of services and the expansion of scenarios, further integrating financial services into people's livelihoods and the real economy in key areas. As at the end of the reporting Period, 4,676 interfaces were launched for open banking with a cumulative 4.1 billion calls. During the Reporting Period, new retail customers acquired via open banking increased by 34.57% on a year-on-year basis to 1.0542 million. 211.075 billion financing amount was collected through online chain financial service of open banking, up 85.45% year on year.

(5) BOCOM On-cloud

The Bank continuously promoted its brand of "BOCOM On-cloud" and innovated the application of audio and video technologies. Screen-to-screen online services enabled the development of online institutions, employees, services, and products, breaking through the physical and time limits of the traditional banking business. The Bank provided an innovative model of new banking services and improved the availability and satisfaction level of financial services. During the Reporting Period, the number of services provided by BOCOM On-cloud remote video outlet amounted to 600 thousand, a year-on-year growth of over 10 times.

The Bank also improved the featured services of new media channels such as "BoCom" WeChat Mini Program, "BoCom Loans" WeChat Mini Program and BOCOM On-cloud to strengthen cross-channel collaboration. As at the end of the Reporting Period, customers served by "BoCom" WeChat Mini Program increased by 53.91% over the end of the previous year to 36.4187 million; customers served by "BoCom Loans" WeChat Mini Program increased by 130.77% over the end of the previous year to 3.8177 million; customers served by BOCOM On-cloud amounted to 7.4171 million, an increase of 34.78% over the end of last year.

BUSINESS REVIEW

8. FinTech and Digital Transformation

- To deliver outstanding performance in digital finance, the Bank focused on new business drivers, new digital infrastructure, and a new governance model to deepen FinTech innovation, leverage data value, and empower the development of key financial areas such as technology, green, inclusiveness, and old-age care. The dual-driving forces of digital technology and data elements enable our customer-oriented financial services to be more precise, secure, and efficient.
- During the reporting period, the Bank invested 12.027 billion in fintech, representing a year-on-year increase of 3.41%; it was 5.64% of operating revenue, and increased by 0.38 percentage point year-on-year. At the end of the reporting period, the Group had 7,814 fintech employees, representing an increase of 33.30% from the end of the previous year, and accounting for 8.29% of the Group's total number of employees, which represents an increase of 1.91 percentage points from the end of the previous year.

(1) Intensively developing the GBC ecosystem to integrate into the overall construction of the digital economy and the digital society

In terms of empowering digital government affairs, the Bank actively participated in the development of digital Xiong'an, GBA Connect, and "Electronic Fence Account", amongst others. BOCOM-Government Connect has fully covered the outlets in the Yangtze River Delta, accelerating the replication and promotion throughout the entire country.

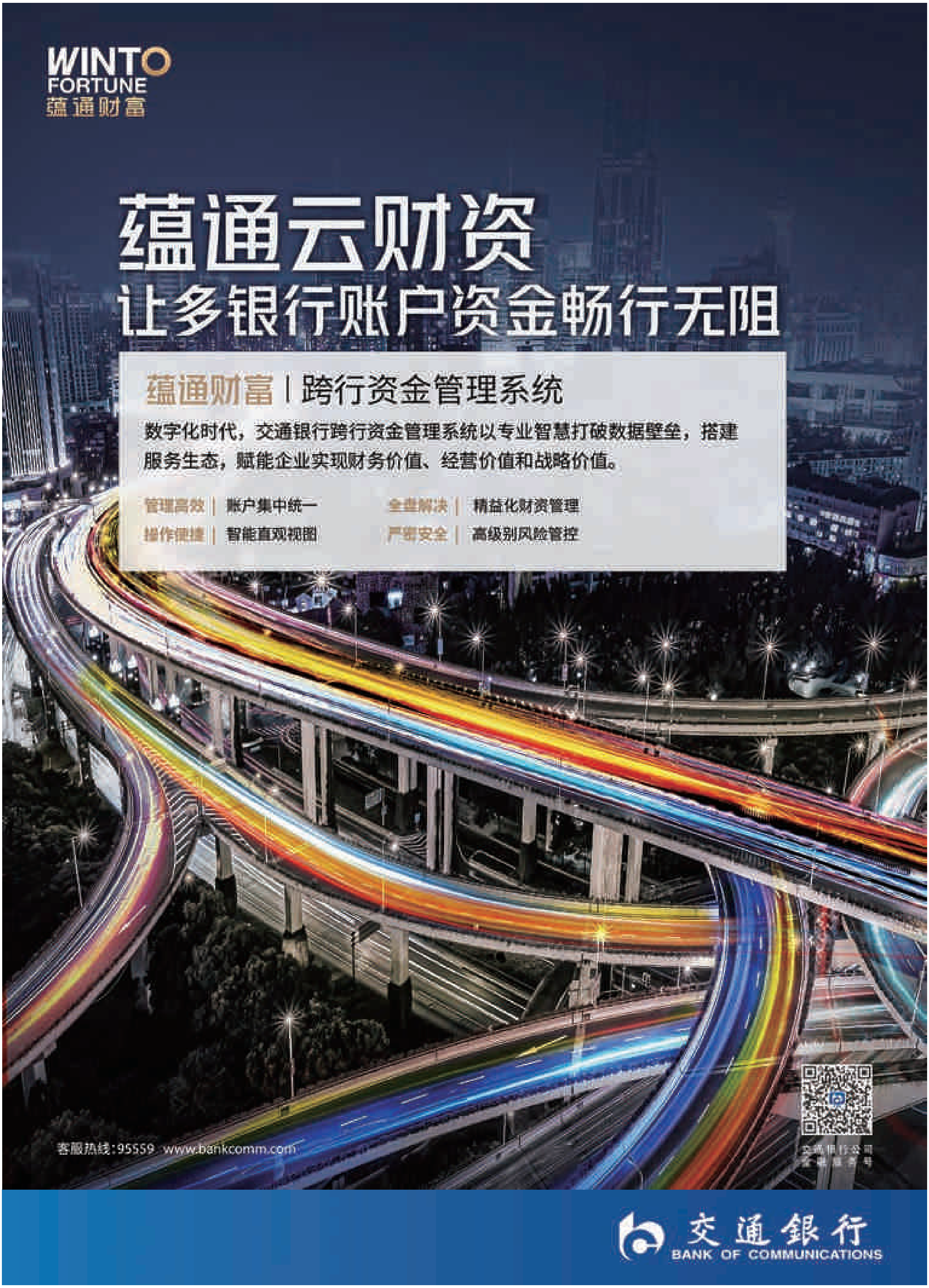
In terms of empowering the digital industry, industrial chain finance launched nearly 40 core projects, covering areas such as large-scale smart cars and clean energy, to serve the advanced manufacturing industry. Assembled by product factories, the Bank accelerated the launch of innovative products for inclusive scenarios, such as loans pledged with red-type property ownership certificates in Jilin, the New Hope Breeding Loan, the Shennong e-Loan and the JingCai Loan, to rapidly meet market demand. The Bank innovatively launched key products such as Interbank Cloud and BoCom Jianxiong to provide a range of integrated solutions to support enterprises' digital transformation.

In terms of empowering the digitalisation of people's livelihoods, the Bank launched products such as the Talent Loan and the Employee Loan to meet the financial needs of new citizens, promoting the services to meet lower-tier markets. The Bank has built a robust platform for the personal pension finance business to enrich pension product supplies.

(2) Building a robust digital platform foundation to allow for more agile and efficient sci-tech support and security protection

The Bank pushed forward the construction of enterprise-level structure and middle offices in an integrated manner. The marketing middle office reached over 35 million customers a day; the risk control middle office loaded over 260 models; and the operating middle office covered more than 1,600 types of tasks. The Bank speeded up the construction of the enterprise-level product management system, and sorted out product catalogues, to promote agile and comprehensive product innovation.

The Group expedited the improvement of the cyber-security system, and continued to enhance its cyber-defence capabilities. The layout of multiple centres in different locations has been gradually improved. Pujiang Xintongcheng Data Centre had started its official operations, becoming the first T4-certified financial data centre in China, and the Group has commenced construction of Remote Data Centres in Horinger and Gui'an. The layout of a bank-wide cloud platform was continuously optimised and the Group's computational capabilities keep being improved. A multi-architecture cloud platform with full-stack innovation won first prize in the FinTech Development Award by the PBOC.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BUSINESS REVIEW

(3) Promoting standardised data management to enhance data support capabilities

With the Bank's continuous efforts to enhance data governance, further improve the enterprise-level data standard system, and promote the effective operation of the data quality management system, there was a steady improvement in data quality. The enterprise-level data middle office enabled the fast output of data services such as customer labels, business indicators, model calculations and knowledge maps, consolidating the data foundations. Data timeliness of the management cockpit was further improved to strongly support the digital business decisions of organisations at all levels. The Bank upgraded the data analysis platform and report portal to respond more quickly to data requirements for business analysis as well as the one-stop query of data and calculation standards.

By following data security measures, the Bank formed a data security system covering areas such as data classification and rating, rights-holder impact assessment, travel and outbound departures, and contingency management to promote the refined and streamlined security control in key areas of the data life cycle. In 2023, the Group won the "Level 3 Accreditation of External Data Management Capability" from CAICT (the highest), as well as the "Data Governance Best Practice Award" from DAMA for the third consecutive year.

(4) Leveraging sci-tech to drive enhancement in digital and intelligent business management

The Bank kept promoting the further application of AI in customer service, product promotion, risk prevention and control, and other scenarios. Over 70,000 suspicious transactions were accurately intercepted by the anti-fraud integrated platform, involving more than 1.4 billion. The interests and preferences of individual customers were also explored. The cumulative turnover of various financial models and strategies reached nearly 400 billion, 16 times higher than the overall turnover rate. The Bank expedited the construction of working platforms for its employees, while the working platforms for account managers were continuously improved on in terms of their data timeliness and their coverage of mobile functions, supporting employees and the Bank to closely align with their customers. The value management platform completed bank-wide promotion to support management refine value analysis and decision-making. The Bank actively explored the application of big models in office assistants, customer Q&As, and other scenarios to promote the cultivation and development of new quality production forces.

(5) Strengthening top-level design to further improve the sci-tech governance level

The *Bank of Communications Digital Finance Action Plan (2024-2025)* was formulated to closely align with national strategic requirements. The Bank strengthened the assembly of talent teams, with the R&D branch team beginning to take shape, and the sci-tech team seeing enhancements in quantity and quality. The Bank kept motivating an innovative spirit by speeding up the construction of an innovative ecology comprising of industries, academia and research, setting up 5 laboratories including AI, cyber-security, innovation in computing, user experience, and digital Renminbi (Suzhou), with the initiative winning the first prize of the FinTech Development Award by the PBOC for 3 consecutive years.

IV. RISK MANAGEMENT

The Board of Directors of the Bank established the overall risk appetite of "Stability, Balance, Compliance and innovation" for the Bank and further set specific indicators of risk limits against various risks including credit, market, operation, liquidity, interest rate of banking book, information technology and country to exercise strict control over various risk types. During the reporting period, the Group consistently adhered to the bottom-line thinking, integrated development and safety, solidly promoted the work of the Year of Asset Quality Consolidation, strengthened the unified risk management of the Group, enhanced the comprehensive risk management capability, continuously promoted the digital transformation of risk management, and promoted the high-quality development of the entire Bank with high-quality risk management.

(I) Risk Management Framework

The Board of Directors of the Bank assumed the ultimate responsibility, served the highest function of decision-making and monitored the Bank's risk condition through the subordinate Risk Management and Related Party Transactions Control Committee. The Bank's Senior Management established the Comprehensive Risk Management and Internal Control Committee, as well as two business review committees namely the Credit and Investment Review Committee and the Risk Asset Review Committee. The business review committees were guided by and reported regularly to the Comprehensive Risk Management and Internal Control Committee. Each provincial and directly managed branch, overseas branch and subsidiary established the Comprehensive Risk Management and Internal Control Committee accordingly based on the aforementioned framework, which served as the main platform to study the prevention and control of systematic and regional risks and decision-making risk management on major issues, ensuring that the comprehensive risk management system had been implemented throughout the Group.

(II) Risk Management Tools

The Bank continued to promote the digital transformation of risk management, and was committed to building a full-process, full-coverage digital risk management system oriented to market-oriented, customer-oriented, grassroots, and urgency-oriented, building a bank-wide risk data base, constructing enterprise-level risk management applications, and enhancing the level of risk management intelligence. During the reporting period, the Bank further promoted the construction of the Risk Measurement Center, strengthened the supply of risk management tools such as measurement models for strategic areas and risk monitoring, and continuously enhanced the Group's risk measurement and monitoring capabilities. The Group also built a unified model management system and completed preparations for the implementation of the new capital regulations.

(III) Credit Risk Management

During the Reporting Period, the Bank continued to strengthen centralised credit risk management. The Bank actively served the real economy, optimised the structure of credit assets, vigorously developed the green finance, and adopted the structural monetary policy tools (such as the special refinancing) to support key areas such as carbon emission reduction, clean and efficient use of coal, transportation and logistics, scientific

RISK MANAGEMENT

and technological innovation, inclusive pensions, equipment renovation, and "guaranteed delivery of houses". We continuously optimised the framework of its credit granting policy, proactively implemented major national strategies and regulatory requirements, closely tracked market changes, and expanded the coverage of special strategic guidance on the basis of the outline of the credit granting and risk policy, the guidelines on industry investment, and the "one policy for one bank" principle. The Bank continued to improve the degree of online and automation in the credit approval process, completed docking with the unified registration and publicity system for the financing of movable property in the Credit Information Centre of the PBOC, and started the promotion of online real estate mortgage registration throughout China, enabling the "cross-provincial registration" of mortgage loans in many cities across the country. Risk classification became more sophisticated as the asset quality steadily improved.

The Bank strengthened risk identification and prompted risk disposal. The business accountability mechanism for granting credit to key customers was continuously enhanced, with the approval procedures for the credit business being continuously strengthened; the post-loan (post-investment) management, risk monitoring and early-warning measures were continuously enhanced, with the purpose of upgrading the system tools. Credit risk screening and management in key areas was continuously strengthened. The Bank continued intensification of the collection of non-performing assets, focusing on key areas to bring into play the professional disposal capabilities of Head Office to steadily and orderly dispose of the risk exposures in significant items. The direct operations and management mechanism for asset preservation was remarkably effective. During the Reporting Period, the disposal of non-performing loans reached 64.70 billion, of which the substantial recovery amount was 33.33 billion.

The Bank adheres to the regulatory requirements and maintains strict asset risk classification standards. The foundation of asset quality has been continuously strengthened and the level of asset quality has improved steadily. At the end of the Reporting Period, the Group's non-performing loan balance amounted to 105,688 million and the non-performing loan ratio was 1.33%, representing an increase of 7,162 million and a decrease of 0.02 percentage point respectively compared with the end of the previous year; and the percentage of overdue loan balance increased compared with the beginning of the year. The Group adopts prudent classification criteria for overdue loans. Domestic corporate loans overdue for more than 60 days have been included in non-performing loans and all loans overdue for more than 90 days have been included in non-performing loans, with loans overdue for more than 90 days accounting for 64.71% of non-performing loans.

Distribution of loans by five categories of loan classification

(in millions of RMB unless otherwise stated)

	31 December 2023 Amount	31 December 2023 Proportion (%)	31 December 2022 Amount	31 December 2022 Proportion (%)	31 December 2021 Amount	31 December 2021 Proportion (%)
Pass loan	7,731,141	97.16	7,091,355	97.21	6,374,975	97.17
Special mention loan	120,256	1.51	105,084	1.44	88,629	1.35
Total performing loan balance	7,851,397	98.67	7,196,439	98.65	6,463,604	98.52
Sub-standard loan	28,523	0.36	40,465	0.55	52,960	0.81
Doubtful loan	32,383	0.41	33,257	0.46	25,978	0.40
Loss loan	44,782	0.56	24,804	0.34	17,858	0.27
Total non-performing loan balance	105,688	1.33	98,526	1.35	96,796	1.48
Total	7,957,085	100.00	7,294,965	100.00	6,560,400	100.00

Distribution of special mention loans and overdue loans by business type

(in millions of RMB unless otherwise stated)

	31 December 2023 Overdue loan balance	31 December 2023 Special mention loan ratio (%)	31 December 2023 Overdue loan balance	31 December 2023 Special mention loan ratio (%)	31 December 2022 Overdue loan balance	31 December 2022 Special mention loan ratio (%)	31 December 2022 Overdue loan balance	31 December 2022 Special mention loan ratio (%)
Corporate loans	89,192	1.72	62,273	1.20	84,584	1.80	46,309	0.98
Personal loans	30,939	1.25	47,832	1.93	20,499	0.87	38,483	1.63
Mortgage	9,875	0.68	12,236	0.84	8,051	0.53	13,023	0.86
Credit cards	18,673	3.81	28,061	5.73	10,808	2.26	20,122	4.21
Personal business loans	903	0.26	3,456	1.01	436	0.18	1,985	0.83
Others	1,488	0.83	4,079	2.28	1,204	0.88	3,353	2.45
Discounted bills	125	0.04	16	0.01	1	0.00	36	0.02
Total	120,256	1.51	110,121	1.38	105,084	1.44	84,828	1.16

The balance of corporate overdue loan was 62.273 billion, representing an increase of 15.964 billion over the end of the previous year. The overdue ratio was 1.20%, representing an increase of 0.22 percentage point over the end of the previous year. The balance of personal overdue loan was 47.832 billion, representing an increase of 9.349 billion over the end of the previous year. The overdue loan ratio was 1.93%, representing an increase of 0.30 percentage point over the end of the previous year.

RISK MANAGEMENT

Distribution of loans and non-performing loans by business type

(in millions of RMB unless otherwise stated)

	31 December 2023				31 December 2022			
	Loans	Proportion (%)	Non-performing loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loan	Non-performing loan ratio (%)
Corporate loans	5,179,533	65.09	85,549	1.65	4,711,353	64.58	78,487	1.67
Personal loans	2,473,100	31.08	20,123	0.81	2,365,317	32.43	20,003	0.85
Mortgage	1,462,634	18.39	5,462	0.37	1,512,648	20.74	6,731	0.44
Credit cards	489,725	6.15	9,385	1.92	477,746	6.55	9,310	1.95
Personal business	342,198	4.30	2,685	0.78	239,271	3.28	1,716	0.72
Others	178,543	2.24	2,591	1.45	135,652	1.86	2,246	1.66
Discounted bills	304,452	3.83	16	0.01	218,295	2.99	36	0.02
Total	7,957,085	100.00	105,688	1.33	7,294,965	100.00	98,526	1.35

Distribution of loans and non-performing loans by industry

(in millions of RMB unless otherwise stated)

	31 December 2023				31 December 2022			
	Loans	Proportion (%)	Non-performing loan	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loan	Non-performing loan ratio (%)
Corporate loans	5,179,533	65.09	85,549	1.65	4,711,353	64.58	78,487	1.67
Transportation, storage and postal services	905,624	11.38	5,460	0.60	823,156	11.28	5,645	0.69
Manufacturing	954,586	12.00	18,753	1.96	836,532	11.46	21,934	2.62
Leasing and commercial services	866,601	10.89	6,030	0.70	729,818	10.00	9,079	1.24
Real estate	489,080	6.15	24,403	4.99	519,857	7.13	14,560	2.80
Water conservancy, environmental and other public facilities	466,137	5.86	4,173	0.90	429,222	5.88	5,343	1.24
Production and supply of electric power, heat, gas and water	391,742	4.92	3,098	0.79	342,617	4.70	3,237	0.94
Wholesale and retail trade	292,168	3.67	7,883	2.70	254,447	3.49	3,911	1.54
Construction	188,716	2.37	2,639	1.40	176,696	2.42	2,000	1.13
Finance	159,183	2.00	1,870	1.17	148,747	2.04	1,874	1.26
Education, science, culture and public health	141,254	1.78	4,116	2.91	128,762	1.77	2,861	2.22
Mining	116,467	1.46	1,071	0.92	118,246	1.62	2,162	1.83
Others	88,640	1.11	437	0.49	94,839	1.30	1,012	1.07
Information transmission, software and information technology services	81,176	1.02	1,164	1.43	68,246	0.94	648	0.95
Accommodation and catering	38,159	0.48	4,452	11.67	40,168	0.55	4,221	10.51
Personal loans	2,473,100	31.08	20,123	0.81	2,365,317	32.43	20,003	0.85
Discounted bills	304,452	3.83	16	0.01	218,295	2.99	36	0.02
Total	7,957,085	100.00	105,688	1.33	7,294,965	100.00	98,526	1.35

The Group continued to strengthen its financing support for the real economy, with manufacturing industry loans increasing by 118.054 billion, or 14.11%, compared with the end of last year; transportation, storage and postal services industry loans increasing by 82.468 billion, or 10.02%, compared with the end of last year; leasing and commercial services industry loans increasing by 136.783 billion, or 18.74%, compared with the end of last year; water conservancy, environmental and other public facilities industry loans increasing by 36.915 billion, or 8.60%, from the end of the previous year; and electric power, heat, gas and water production and supply industry loans increasing by 49.125 billion, or 14.34%, from the end of the previous year.

Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

	31 December 2023				31 December 2022			
	Loans	**Proportion (%)**	**Non-performing loan**	**Non-performing loan ratio (%)**	Loans	Proportion (%)	Non-performing loan	Non-performing loan ratio (%)
Yangtze River Delta	**2,226,422**	**27.98**	**20,582**	**0.92**	1,999,175	27.40	21,107	1.06
Pearl River Delta	**1,051,204**	**13.21**	**12,214**	**1.16**	978,749	13.42	8,403	0.86
Bohai Rim Economic Zone	**1,288,078**	**16.19**	**16,472**	**1.28**	1,137,282	15.59	10,707	0.94
Central China	**1,290,880**	**16.22**	**13,311**	**1.03**	1,196,075	16.40	14,520	1.21
Western China	**947,510**	**11.91**	**9,443**	**1.00**	875,476	12.00	9,333	1.07
North Eastern China	**265,215**	**3.33**	**11,221**	**4.23**	250,190	3.43	13,595	5.43
Overseas	**359,446**	**4.52**	**13,053**	**3.63**	376,277	5.16	11,551	3.07
Head office	**528,330**	**6.64**	**9,392**	**1.78**	481,741	6.60	9,310	1.93
Total	**7,957,085**	**100.00**	**105,688**	**1.33**	7,294,965	100.00	98,526	1.35

Note: Head Office included the Pacific Credit Card Centre.

The Group implemented differentiated policies of "one policy for one bank" to make dynamic adjustments to business authorisation based on regional economic traits.

Overdue loans and advances

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
Overdue Period	**Amount**	**Proportion (%)**	Amount	Proportion (%)
Within 3 months	**41,727**	**0.52**	27,737	0.38
3 months to 1 year	**34,927**	**0.44**	33,480	0.46
1 to 3 years	**26,820**	**0.34**	19,083	0.26
Over 3 years	**6,647**	**0.08**	4,528	0.06
Total	**110,121**	**1.38**	84,828	1.16

As at the end of the Reporting Period, the balance of overdue loans was 110.121 billion, representing an increase of 25.293 billion over the end of the previous year. The overdue ratio was 1.38%, representing an increase of 0.22 percentage point over the end of the previous year. The balance of loans overdue for over 90 days was 68.394 billion, representing an increase of 11.303 billion over the end of the previous year.

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Restructured Loans

(in millions of RMB unless otherwise stated)

	31 December 2023		31 December 2022	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Restructured loans	**40,836**	**0.51**	13,660	0.19
Including: Restructured loans overdue over three months	**6,306**	**0.08**	1,533	0.02

Note: The calculation standard of restructured loans was adjusted. They are calculated in accordance with the relevant provisions of the *Measures on the Risk Categorisation of Commercial Banks' Financial Assets* (China Banking and Insurance Regulatory Commission of the PRC and People's Bank of China Order No. 1 of [2023]) as at the end of 2023.

Loan migration rates (%)	**2023**	2022	2021
Pass loan migration rate	**1.70**	1.89	1.86
Special mention loan migration rate	**24.12**	26.55	45.72
Sub-standard loan migration rate	**57.06**	52.87	29.61
Doubtful loan migration rate	**58.63**	26.61	17.42

Note: Data calculated pursuant to *the Notice on the Distribution of the Regulatory Indicator and Calculation Formula for Off-Field Investigation* issued by the former CBIRC.

Credit risk concentration

As at the end of the Reporting Period, the total loans to the largest single customer of the Group accounted for 5.33% of the Group's net capital, and the total loans to top 10 customers accounted for 20.42% of the Group's net capital. The situation of loans to top 10 single customers as at the end of the Reporting Period is shown below.

(in millions of RMB unless otherwise stated)

	As at 31 December 2023		
	Industry	**Amount**	**Percentage of total loans (%)**
Customer A	**Production and supply of electric power, heat, gas and water**	**72,000**	**0.90**
Customer B	**Production and supply of electric power, heat, gas and water**	**39,500**	**0.50**
Customer C	**Transportation, storage and postal services**	**33,813**	**0.42**
Customer D	**Leasing and commercial services**	**33,000**	**0.41**
Customer E	**Real estate**	**20,646**	**0.26**
Customer F	**Transportation, storage and postal services**	**16,472**	**0.21**
Customer G	**Transportation, storage and postal services**	**16,015**	**0.20**
Customer H	**Transportation, storage and postal services**	**15,037**	**0.19**
Customer I	**Production and supply of electric power, heat, gas and water**	**14,900**	**0.19**
Customer J	**Manufacturing**	**14,528**	**0.18**
Total of Top 10 Customers		**275,911**	**3.47**

(IV) Market Risk Management

Market risk refers to the risk of losses of on- and off-balance sheet businesses of the Bank arising from unfavourable changes in interest rate, exchange rate, commodity price, share price and others. Interest rate risk and exchange rate risk were the major market risks encountered by the Group.

The objective of the Group's market risk management is to proactively identify, measure, monitor, control and report market risks in accordance with the risk appetite determined by the Board of Directors, to control market risks within tolerable limits through the use of methods and tools such as limit management, risk hedging and risk transfer, and to pursue the maximization of risk-adjusted returns on this basis.

The Group measures capital employed using the internal modeling approach for the general market risks of exchange rate risk and trading book interest rate risk for legal entities, and the standardized approach for the market risks that are not covered by the internal modeling approach. The internal modeling approach measures Value at Risk (VaR) and Stressed Value at Risk (SVaR) using the historical simulation method, both with a historical observation period of 1 year, a holding period of 10 business days and a one-tailed confidence interval of 99%. The Bank-wide capital trading positions and latest market data are collected in a timely manner for position valuation and sensitivity analysis on a daily basis; the value-at-risk of market risk is measured separately from the dimensions of risk factors, portfolio and products using the historical simulation method on a daily basis; and return tests are conducted on a daily basis to validate the accuracy of the value-at-risk model. The results of the internal modeling approach are applied to capital measurement, limit monitoring, performance appraisal, risk monitoring and analysis.

During the Reporting Period, the Group kept improving the market risk management system, improved management policies and procedures, optimised the risk management system, strengthened product management, optimised limit setting, and improved derivatives business risk management. The Group closely monitored the financial market fluctuations, strengthened market research and judgement and risks monitoring and forewarning, enhanced the risk assessment and inspection, and strictly controlled various market risk limits to continuously improve the level of market risk management.

(V) Liquidity Risk Management

Liquidity risk is the risk that occurs when the commercial bank cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfil other payment obligations, or meet other funding needs in the normal course of business. The main factors affecting the liquidity risk include early withdrawal by deposit customers, deferred repayment by loan customers, mismatch of asset and liability structure, difficulty in asset realisation, decline in financing capability, etc.

The governance structure of the Group's liquidity risk management includes a decision-making body consisting of the Board of Directors and its Special Committees and Senior Management, a supervisory body consisting of the Board of Supervisors and the Audit and Supervisory Bureau, and an executive body consisting of the Finance and Management Department, the Financial Markets Department, the Risk Management Department,

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the Operations and Channels Management Department, the subsidiaries, branches, and the competent authorities in charge of the head office of the various businesses.

The Group determines its liquidity risk appetite and formulates its liquidity risk management strategies and policies each year based on factors such as its business strategy, business characteristics, financial strength, financing ability, overall risk appetite and market influence.

During the reporting period, the Group continued to improve its liquidity risk management system, flexibly adjusted its liquidity management strategy and business development structure and tempo in a timely manner, and promoted the coordinated development of its asset and liability businesses; expanded diversified financing channels, and issued bonds with longer maturity to supplement stable funds; performed cash flow measurement and analysis, and closely monitored liquidity risk indicators to ensure liquidity safety and smooth operation of the indicators during major holidays and critical points in time. Organize liquidity risk contingency drills. Organize liquidity risk emergency drills to improve reaction speed and liquidity risk disposal capability.

The Group regularly launched stress tests for liquidity risk, in which various factors which may affect liquidity situation were given full consideration and stress scenarios were appropriately set up. The results of stress tests showed that the Bank's liquidity risk was within a controllable range under various stress scenarios.

As at the end of the Reporting Period, the table below shows the liquidity ratio indicator of the Group:

	Standard value	**31 December 2023**	31 December 2022	31 December 2021
Liquidity ratios (%)	≥25	**64.92**	69.76	67.11

Note: Calculated according to the regulatory standard of the NAFR.

The daily average liquidity coverage ratio of the Group during the fourth quarter of 2023 was 128.50% (the daily average within the quarter was the arithmetic average of daily data of the quarter, the number of daily data required was 92). The ratio decreased by 4.40 percentage points over the previous quarter, which was mainly due to the decrease in qualified high-quality liquid assets.

In the third quarter of 2023, the quarter-end net stable funding ratio of the Group was 110.59%, representing an increase of 0.71 percentage point over the previous quarter, which was mainly due to the decrease of loans and securities. In the fourth quarter of 2023, the quarter-end net stable funding ratio was 113.01%, representing an increase of 2.42 percentage points over the previous quarter, which was mainly due to the increase in financing from financial institutions.

See the "Supplemental Information on Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio" section of the Appendix for the fourth quarter of 2023 liquidity coverage ratio and the average of each line item, and the third and fourth quarter of 2023 net stable funding ratio and each line item.

(VI) Operational Risk Management

The Group has established a complete operational risk management system commensurate with the nature, scale and product complexity of the Bank's business, and standardized the workflow of operational risk self-assessment, monitoring of key risk indicators and operational risk event management. During the reporting period, the operational risk categorization and matrix assessment mechanism was further improved, the integrated management of operational risk for the Group was strengthened, the monitoring and assessment of operational risk in key areas was enhanced; and the Group's business continuity and outsourcing risk management was strengthened.

(VII) Legal Compliance and Anti-money Laundering

The Group has established a compliance management system that is appropriate to its scale of operation, business scope and risk level, continuously strengthened its ability to identify, monitor, prevent, control and resolve compliance risks, enhanced the quality and efficiency of compliance management, and effectively ensured lawful and compliant operation and high-quality development. During the reporting period, the Company further improved its compliance management system and institutional tools, perfected the inspection and rectification mechanism, promoted the construction of a compliance culture, and carried out key tasks such as anti-money laundering customer due diligence, data governance and digital transformation to continuously enhance its anti-money laundering management capability.

(VIII) Reputation Risk Management

The Group implemented the *Measures for Reputation Risk Management of Banking and Insurance Institutions (for Trial Implementation)* and adhered to the management strategy of prevention-oriented, effective disposal, timely repair and comprehensive coverage. At the institutional level, the *Measures for Reputation Risk Management of Bank of Communications Co., Ltd.* was revised to continuously improve the Group's reputation risk management system; at the implementation level, the Group did a good job in front management, response and disposal of important points in time and key events, and accelerated the digital transformation of reputation risk management. During the reporting period, the reputational risk management system operated effectively and the reputational risk was properly managed and controlled.

(IX) Cross-industry, Cross-border and By-country Risk Management

The Group has established a cross-industry and cross-border risk management system with "unified management, clear division of labor, complete tools, IT support, risk quantification and substantial consolidation", and the risk management of its subsidiaries and offshore banks takes into account the unified requirements of the Group and the special requirements of their respective supervisory authorities, so as to prevent the risks that may arise from cross-industry and cross-border operations. During the reporting period, in response to the uncertainties arising from changes in the external situation, risk management of overseas institutions was strengthened, the system was improved, the assessment mechanism was optimized, and various contingency

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plans were formulated and rehearsed in order to ensure the smooth operation of the business. Work in key areas such as liquidity, business continuity and asset quality of offshore institutions was strengthened. Strengthened consolidated management, refined the full life cycle management of subsidiaries at all levels, and strengthened the Group's unified risk management and risk preference transmission. We will strengthen country risk management, increase the frequency of monitoring country risk exposure, strengthen the management of country risk limits, carry out country risk analysis and ratings, pay continuous attention to and respond to country risk events in a timely manner, and carry out country risk management requirements throughout the entire process of relevant business development.

(X) Management of Large Exposure Risk

The Group conscientiously implemented the requirements of the *Measures for the Management of Large Risk Exposures of Commercial Banks* of the former CBIRC, promoted the construction of the management system, continuously monitored the situation of large risk exposures, strictly implemented the management of various limits and enhanced the Group's ability to prevent systemic and regional risks. During the reporting period, all indicators of the Group's large risk exposure were in compliance with the regulatory requirements.

(XI) Climate and Environmental Risk Management

The Group actively supports the goal of "carbon peak and carbon neutral", promotes the further integration of climate and environmental risks into the comprehensive risk management system, and continuously improves the governance structure, strengthens the institutional constraints, enhances the risk assessment and optimizes the means of management and control according to the risk appetite determined by the Board of Directors, so as to effectively respond to new challenges brought about by climate change and the low-carbon transformation of the socio-economy.

During the reporting period, the Bank assessed climate risk as a separate risk category in the identification of major risks in accordance with the latest requirements of the new capital regulations; strengthened the attention to climate change factors in the risk assessment process of new products and new businesses; further standardized the measurement method of carbon emissions of investment and financing customers, expanded the coverage of information collection, and conducted investigations on eight key customers in industries with high carbon emissions and their upstream and downstream industries with typical transformation significance; paid attention to the potential impact of the EU carbon border adjustment mechanism on the Bank's relevant customers; promoted the investigation and stress testing of projects related to the PBOC carbon emission reduction support tool; and continued to strengthen the calculation of environmental benefits of such projects. Conducting investigations; paying attention to the potential impact of the EU carbon border adjustment mechanism on the Bank's relevant clients, and promoting investigations and stress tests for clients in key industries that may be affected; continuously strengthening the accounting of environmental benefits of projects related to the People's Bank of China's carbon emission reduction support tools.

V. OUTLOOK

In 2024, the external environment will be more complicated, tough and uncertain. But overall, China's economy will continue to improve and its long-term positive outlook remains unchanged. With increasing forces supporting the high-quality development of the economy, investment will continue to grow, consumption will steadily improve, and foreign trade will be more resilient. Banks will see more development opportunities.

2024 is a critical year for the implementation of the "14th Five-Year Plan" of the Bank. The Group will continue to adhere to the thought of Socialism with Chinese Characteristics of Xi Jinping, fully implement the spirit of the 20th CPC National Congress, the Financial Work Conference of the Central Government and the Economic Work Conference of the Central Government. Also, the Group will adhere to the general principle of seeking progress while maintaining stability, implement the new development concept in a complete, accurate and comprehensive manner. The Group will support the new development model, make significant efforts in the "five priorities" of finance, serve the real economy and financial stability, as well as accelerate the building of a world-class banking group with distinctive strengths. The Group will focus on the following areas:

Building up strategic strength. The Group will increase the coverage of the Inclusive finance to meet the financial needs of the people and the diversification of the real economy; enrich the scenarios of the trade finance and efficiently serve the new development pattern of "Dual Circulation". For technology finance, the Group will effectively promote self-reliance and self-improvement in high-level science and technology. For wealth management, the Group will continue to promote and strengthen customer experience. For pension finance, the Group will improve the service functions and actively respond to the national strategy on the aging population. For green finance, the Group will make the business greener and help to achieve the "Dual Carbon Goals".

Deepening and strengthening the building of "Shanghai Base". The Group will continue to join Shanghai's efforts in build a centre of the international economy, finance, trade, shipping and technological innovation; make Shanghai a showcase for innovation of the "five priorities" of finance; efficiently optimise the "one thing" working group mechanism; replicate of the innovative achievements in Shanghai to the whole Bank; and accelerate the development of featured businesses.

Creating new strengths for the development of digital finance. The Group will optimise the management for all customers with the support of product factory; strengthen digital and smart operations to enhance internal and external service efficiency; upgrade digital infrastructure to lay a solid foundation for steady development; and restructure the operation management and financial service processes through the in-depth application of data and technology in the business model and key areas.

Continuously enhancing risk management and risk control. The Group will strengthen the comprehensive risk governance system; coordinate and enhance traditional and non-traditional risk management; strengthen risk prevention and control in key areas, such as real estate, local debts and small and medium-sized financial institutions; and enhance the risk expertise in order to adhere to the bottom line of preventing systemic financial risk.

MAJOR CONCERNS OF CAPITAL MARKET

VI. MAJOR CONCERNS OF CAPITAL MARKET

(I) Interest Rate Spread Trends

During the Reporting Period, the Group's net interest margin was 1.28%, representing a year-on-year decrease of 20 basis points mainly based on the reasons as follows. On the asset side, first, in terms of interest rates, the continued downward movement of the loan prime rate (LPR) and the ongoing adjustment of interest rates on existing mortgage loans drove down the yield on existing assets as a whole. Second, the lack of effective demand coupled with the impact of continued fee reductions and concessions has contributed to the continued decline in interest rates on newly issued loans. On the structural side, the proportion of credit card loans and housing loans with relatively higher yields declined due to citizens' low willingness of consumption and a downturn in the property market. On the liability side, the impact of continued volatility in the capital markets and citizens' strong preference for saving have created a crowding-out effect on funds, insurance and wealth management investments. The continued trend of fixed-term and long-term bank deposits and the decline in deposit pricing has not led to an equivalent downward movement in the overall cost of liabilities.

Looking ahead to subsequent interest rate spread movement, the Group's net interest margin is expected to face downward pressure in the short term due to the relevant policy reasons. During the next stage, the Group will actively take the following measures to keep the marginal stabilisation of net interest margins within a reasonable range. On the asset side, the Group will increase investment in loans and bonds, increase the proportion of retail assets, and moderately improve the comprehensive return on the asset business; at the same time, the Group will arrange for investment in foreign-currency assets in a forward-looking manner to broaden the income boundary. On the liability side, the Group will focus on the growth of low-cost demand funds and continue to reduce high-cost deposits, while flexibly deploying market-based funds in accordance with market interest rate trends, so as to reduce the overall cost of liabilities.

(II) Capital Management

Driven by the goal of high-quality development, the Group is consistently optimising its capital management system to strengthen the capital constraint and the direction of value creation, to promote intensified capital transformation and refined capital management, to boost capital use efficiency and returns, and to support better performance in the role as a large state-owned bank as the main force serving the real economy and safeguarding financial stability.

In 2023, the Group continued to maintain a sound level of capital adequacy, strongly supported the steady development of our business, continuously increased credit investment in key areas, and enhanced its efforts in serving the real economy. In terms of capital management, first, we strengthened the internal capital constraint mechanism, improved the economic capital assessment system, effectively conveyed the concept and requirements of capital conservation, and maintained a reasonable growth in risk-weighted assets; second, we made solid preparations for the implementation of new capital regulations, further improved the level of refined and digital capital management, played a guiding role in the capital requirements of business development, and actively promoted the optimisation of the asset structure; third, we continued to enhance the comprehensiveness and scientific nature of our internal capital adequacy assessment, dynamically balance capital demand and supply, and reasonably plan the issuance of capital instruments, so as to further strengthen the foundation of capital and enhance the ability to withstand risks; and fourth, we closely followed regulatory and peer group dynamics and actively pushed forward preparations for compliance with the regulatory requirements of the global, systemically important banks in respect to the additional capital and total loss-absorbing capacity (TLAC), and other regulatory requirements.

At the end of the Reporting Period, the Group's net capital had increased by RMB100.8 billion compared with the end of the previous year, of which an increase of RMB65.2 billion in net common equity tier-1 capital was mainly attributable to the internally accumulated retained earnings of the current year, while an increase of RMB35.8 billion in net tier-2 capital was mainly attributable to the issuance of new tier-2 capital bonds in the current year. The Group's capital base has been further strengthened, our capital structure is more reasonable, and our capital indicators continue to meet regulatory requirements.

(III) Real Estate Loans

The Bank implemented the country's decision and deployment to support the stable and healthy development of the real estate market and build a new development model for real estate. First, the Bank supported the reasonable financing demands, followed the general principle of "implementing polices on a city-by-city basis and a client-by-client basis, differentiating management in level and in category", adhered to the five-factor client acceptance criteria of "client, region, retail format, cost and return", and met the reasonable financing demands of real estate enterprises with different ownerships on the same basis. We focused on increasing financial support in key areas, such as solid and improved housing demand from citizens and the "three major projects". Second, the Group enhanced the risk prevention and control, made full use of internal and external tools to strengthen risk monitoring and implement risk checking, improved the initiative of risk management to achieve early identification, early warning, early detection and early response to risks, and adhered to the bottom line of no systemic risks. Third, the Bank took measures to ensure "the assurance of property delivery", providing complementary financing support to policy banks for special loans for "the assurance of property delivery", support high-quality real estate enterprises to merge and acquire high-quality projects of distressed real estate enterprises, and grant reasonable extensions to the stock of real estate financing in accordance with commercial principles on the premise of guaranteeing the safety of debts in accordance with the principles of legal compliance and marketisation, so as to promote the resolution of risks in the inventory business.

(IV) Asset Quality of Credit Cards

In accordance with the requirements of the Notice on Further Promoting the Standardised and Healthy Development of the Credit Card Business, the Bank clarified the objectives of high-quality development of the credit card business and established the vision of "business development led by risk management". We also made every effort to improve the policy of new customer admissions, optimise the management strategy of existing clients, strengthen the management of risky assets, enhance the management of post-loan collection, and optimise the iterative measurement model. The quality of credit card business assets has steadily improved as a result of the five key risk controls above.

At the end of the Reporting Period, the non-performing loan ratio of credit cards was 1.92%, representing a year-on-year decrease of 0.03%, maintaining a downward trend for four years. In 2024, the credit card business will continue to adhere to the general requirement of "making progress and improving quality while maintaining stability". The Bank will integrate the concept of risk control into the entire chain of business, including product design, front-end sales and marketing activities, and take strong measures such as strict access, optimisation of inventory and strong disposal to consolidate the positive trend of credit card asset quality and strive to realise a steady improvement in the main risk indicators.

CHANGES IN SHARES AND SHAREHOLDERS

I. CHANGES IN ORDINARY SHARES

As at the end of the Reporting Period, the Bank issued a total of 74,262,726,645 ordinary shares including 39,250,864,015 A shares and 35,011,862,630 H shares, which accounted for 52.85% and 47.15% respectively. All the ordinary shares issued by the Bank are not subject to sales restrictions.

	31 December 2023			31 December 2022	
	Number of shares (share)	**Percentage (%)**	Increase/ decrease during the Reporting Period	Number of shares (share)	Percentage (%)
I. Shares subject to sales restrictions	**–**	**–**	–	–	–
II. Shares not subject to sales restrictions	**74,262,726,645**	**100.00**	–	74,262,726,645	100.00
1. Renminbi ordinary shares	**39,250,864,015**	**52.85**	–	39,250,864,015	52.85
2. Domestically listed foreign shares	**–**	**–**	–	–	–
3. Overseas listed foreign shares	**35,011,862,630**	**47.15**	–	35,011,862,630	47.15
III. Total shares	**74,262,726,645**	**100.00**	–	74,262,726,645	100.00

II. SHAREHOLDERS OF ORDINARY SHARES

As at the end of the Reporting Period, the total number of shareholders of ordinary shares of the Bank was 308,784, of which 278,402 were holders of A shares and 30,382 were holders of H shares. As at 29 February 2024, the total number of shareholders of ordinary shares of the Bank was 294,771, of which 264,483 were holders of A shares and 30,288 were holders of H shares.

(I) Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period

Name of shareholders (Full name)	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
The Ministry of Finance of the People's Republic of China	–	13,178,424,446	17.75	A Share	Nil	Government
	–	4,553,999,999	6.13	H Share	Nil	
The Hongkong and Shanghai Banking Corporation Limited[2,4]	19,300	19,300	0.00	A Share	Nil	Foreign legal entity
	–	14,135,636,613	19.03	H Share	Nil	
The National Council for Social Security Fund[3,4]	–	3,105,155,568	4.18	A Share	Nil	Government
	–	8,433,333,332	11.36	H Share	Nil	
HKSCC Nominees Limited[4,5]	4,845,824	7,711,460,673	10.38	H Share	Unknown	Foreign legal entity
China Securities Finance Corporation Limited	–	1,891,651,202	2.55	A Share	Nil	State-owned legal entity
Capital Airports Holdings Company Limited	–	1,246,591,087	1.68	A Share	Nil	State-owned legal entity
Hong Kong Securities Clearing Company Limited ("HKSCC")	(22,189,658)	1,046,095,052	1.41	A Share	Nil	Foreign legal entity
Shanghai Haiyan Investment Management Co., Ltd.[5]	–	808,145,417	1.09	A Share	Nil	State-owned legal entity
Yunnan Hehe (Group) Co., Ltd.[5]	–	745,305,404	1.00	A Share	Nil	State-owned legal entity
FAW Equity Investment (Tianjin) Co., Ltd.	–	663,941,711	0.89	A Share	Nil	State-owned legal entity

Notes:

1. The relevant data and information are based on the Bank's register of members at the Share Registrar and Transfer Office and the information provided by shareholders to the Bank.
2. According to the Bank's register of members, HSBC held 19,300 A shares and 13,886,417,698 H shares of the Bank. HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy was due to a purchase of H shares by HSBC from the secondary market in 2007 and thereafter receiving bonus shares issued by the Bank and participating in the rights issue of the Bank. Those extra shares have been registered under Hong Kong Securities Clearing Company Nominees Limited ("HKSCC Nominees Limited").
3. Including the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the National Council for SSF. Other than the above shareholdings, the SSF held additional 610,369,000 H shares, which were indirectly held by certain asset managers (including Hong Kong Stock Connect). As at the end of the Reporting Period, the SSF held a total of 12,148,857,900 A shares and H shares of the Bank, representing 16.36% of the Bank's total ordinary shares issued.
4. HKSCC Nominees Limited held the H shares of the Bank as a nominee. The aggregate number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period. The data did not include 249,218,915 and 7,027,777,777 H shares indirectly held by HSBC and SSF respectively, which were registered under HKSCC Nominees Limited. The data did not include 13,886,417,698 and 1,405,555,555 H shares of the Bank directly held by the aforementioned two shareholders respectively as well, which were registered in the Bank's register of members.
5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under the Provisional Measures on Shareholdings Administration of Commercial Banks (China Banking Regulatory Commission Order No.1 of 2018). 7 subordinate enterprises of China National Tobacco Corporation including Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. authorised and entrusted China National Tobacco Corporation to present at the Shareholders' General Meeting of the Bank and to exercise the voting rights on their behalf. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited ("HKSCC"). Furthermore, The Bank is not aware of the existence of any related relationship among the other Top 10 shareholders, or whether they are parties acting in concert as defined in the Provisional Measures on Shareholdings Administration of Commercial Banks.

(II) Controlling Shareholders/Actual Controllers

There was no controlling shareholder or actual controller of the Bank.

(III) Substantial Shareholders

In accordance with the Provisional Measures on the Shareholdings Administration of Commercial Bank (CBIRC Decree [2018] No. 1), as at the date of disclosing this report, the Bank's substantial shareholders including the Ministry of Finance, HSBC, SSF, Capital Airports Holdings Company Limited, Shanghai Haiyan Investment Management Co., Ltd., and Daqing Petroleum Administration Bureau are detailed as follows:

1. Substantial shareholders holding 5% or more shares of the Bank[6]

(1) The Ministry of Finance is the largest shareholder of the Bank, which was incorporated in October 1949 as a division of the State Council, in charge of national financial revenue and expenditure as well as fiscal and taxation policies. Its person in charge is Lan Fo An, its address is No. 3 South Lane, San Li He, Xicheng District, Beijing and its unified social credit code is 11100000000013186G. As at the end of the Reporting Period, the Ministry of Finance held a total of 17,732,424,445 A shares and H shares of the Bank, representing a shareholding of 23.88% of the Bank. To the knowledge of the Bank, this shareholder did not pledge any shares of the Bank.

6 Excluding HKSCC Nominees Limited.

CHANGES IN SHARES AND SHAREHOLDERS

(2) HSBC is the second largest shareholder of the Bank, which was incorporated in 1866, primarily providing comprehensive local and international banking services and related financial services in the Asia-Pacific region. Its Co-chief Executive Officers are Liao, Yi Chien David and Surendra Rosha, and its registered address is No. 1 Queen's Road Central, Central, Hong Kong. As at the end of the Reporting Period, the ordinary share capital issued by HSBC is HKD123.948 billion and USD7.198 billion, which was divided into 49.579 billion ordinary shares. Its business registration certificate number is 00173611-000, its controlling shareholder is HSBC Asia Holdings Limited, its actual controller is HSBC Holdings plc and its ultimate beneficiary is HSBC Holdings plc. As at the end of the Reporting Period, HSBC beneficially held a total of 14,135,655,913 A shares and H shares of the Bank, representing a shareholding of 19.03% of the Bank. This shareholder has no parties acting in concert. To the knowledge of the Bank, this shareholder did not pledge any shares of the Bank.

(3) The SSF is the third largest shareholder of the Bank, which was incorporated in August 2000. It is an independent legal entity under the management of the Ministry of Finance, responsible for managing and operating national social security fund. Its legal representative is Liu Wei, its registered capital is RMB8.00 million, its registered address is South Wing, Fortune Time Building, No. 11 Fenghuiyuan, Xicheng District, Beijing and its unified social credit code is 12100000717800822N. Pursuant to the regulations of the Ministry of Finance and the Ministry of Human Resources and Social Security, the SSF is entrusted to manage the following funds: national social security fund, central government subsidy for personal accounts, part of basic pension insurance funds for enterprise employees, basic pension insurance fund and part of state-owned capital transferred. As at the end of the Reporting Period, SSF held a total of 12,148,857,900 A shares and H shares of the Bank, representing a shareholding of 16.36% of the Bank. To the knowledge of the Bank, this shareholder did not pledge any shares of the Bank.

Details of related transactions between the Bank and the Ministry of Finance, HSBC and the SSF are disclosed in Note 45. Related Party Transactions to the Financial Statements.

2. *Other substantial shareholders under regulatory standards*

Pursuant to the Provisional Measures on the Shareholdings Administration of Commercial Banks (CBIRC Decree [2018] No. 1), the Bank's other substantial shareholders included:

(1) Capital Airports Holdings Company Limited
As at the end of the Reporting Period, Capital Airports Holdings Company Limited held 1.68% shares of the Bank, and did not pledge any shares of the Bank. Capital Airports Holdings Company Limited was established on 13 June 1988 with a registered capital of 53.7 billion and its legal representative is Wang Changyi. Capital Airports Holdings Company Limited is a large cross-regional state-owned enterprise group with the core of airport business. The shareholder's sole controlling shareholder is Civil Aviation Administration of China, with no parties acting in concert.

(2) Shanghai Haiyan Investment Management Co., Ltd. As at the end of the Reporting Period, Shanghai Haiyan Investment Management Co., Ltd. held 1.09% of shares of the Bank, and did not pledge any shares of the Bank. Shanghai Haiyan Investment Management Co., Ltd. was established on 15 October 2009 with a registered capital of 9.0 billion. Its legal representative is Liu Ying, and its main business scopes include industrial investment and investment management, etc. Its sole controlling shareholder is Shanghai Tabacco Group Co., Ltd. This shareholder with Yunnan Hehe (Group) Co., Ltd. and other companies totalling 7 subordinate enterprises (holding 3.00% of the Bank's shares in total) of China National Tobacco Corporation authorised and entrusted China National Tobacco Corporation to present at the Shareholders' General Meeting of the Bank and to exercise their voting right on behalf, constituting a relationship of acting in concert.

(3) Daqing Petroleum Administration Bureau. As at the end of the Reporting Period, Daqing Petroleum Administration Bureau held 0.4% of the Bank's shares, and did not pledge any shares of the Bank. Daqing Petroleum Administration Bureau was established on 14 September 1991 with a registered capital of RMB46.5 billion and its legal representative is Zhu Guowen. Its main business scope includes onshore oil and gas exploration and mineral resource exploration. The shareholder's sole controlling shareholder is China National Petroleum Corporation, and it has no parties acting in concert.

As at the end of the Reporting Period, the Bank was involved in related transactions[7] including loans, debt investment and other on-balance sheet credit with the related parties of the aforesaid substantial shareholders. As at the end of the Reporting Period, the on- and off-balance sheet net credit amount was 64.681 billion. The transactions between the Bank and its substantial shareholders and all related parties were conducted in accordance with general commercial terms and conditions, and the terms were fair and reasonable.

7 The related parties included were the main shareholders of the Bank declared based on the *Provisional Measures on Administration of Equities of Commercial Banks and Administrative Measures on Related-party Transactions of Banking and Insurance Institutions*, including: controlling shareholders of the key shareholders, actual controlling party, parties acting in concert, and ultimate beneficiaries; legal person or unincorporated organization controlled by institutions mentioned before; and the related parties recognised by the key shareholders based on the *Accounting Standards for Business Enterprises No. 36 Related Party Disclosure*.

CHANGES IN SHARES AND SHAREHOLDERS

(IV) Substantial Shareholders and Holders of Interest or Short Positions Required to be Disclosed under Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO")

As at the end of the Reporting Period, to the knowledge of the directors, supervisors and chief executives of the Bank, the substantial shareholders and other persons (excluding the directors, supervisors and chief executives of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the SFO are as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest[1]	Percentage of total issued A shares (%)	Percentage of total issued shares (%)
The Ministry of Finance of the People's Republic of China	Beneficial owner	13,178,424,446[2]	Long position	33.57	17.75
HSBC Holdings plc	Interests of controlled corporations	19,300[3]	Long position	0.00	0.00
The National Council for Social Security Fund	Beneficial owner	3,105,155,568[4]	Long position	7.91	4.18

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest[1]	Percentage of total issued H shares (%)	Percentage of total issued shares (%)
The Ministry of Finance of the People's Republic of China	Beneficial owner	4,553,999,999[2]	Long position	13.01	6.13
HSBC Holdings plc	Interests of controlled corporations	14,135,636,613[3]	Long position	40.37	19.03
The National Council for Social Security Fund	Beneficial owner	9,043,702,332[4]	Long position	25.83	12.18

Notes:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at the end of the Reporting Period, the Ministry of Finance held 4,553,999,999 H shares and 13,178,424,446 A shares of the Bank, respectively representing 6.13% and 17.75% of the total ordinary shares issued by the Bank.
3. HSBC Holdings plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. As at the end of the Reporting Period, HSBC beneficially held 19,300 A shares and 14,135,636,613 H shares of the Bank. Pursuant to the SFO, HSBC Holdings plc was deemed to own the interests associated with the total of 14,135,655,913 A shares and H shares held by HSBC.
4. To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held a total of 9,043,702,332 H shares and 3,105,155,568 A shares (please refer to the details in Shareholdings of Top 10 Ordinary Shareholders and relevant notes) of the Bank, respectively representing 12.18% and 4.18% of the Bank's total ordinary shares issued.

Save as disclosed above, as at the end of the Reporting Period, no other person (excluding the directors, supervisors and chief executives of the Bank) or corporation were recorded in the register required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

III. INFORMATION OF PREFERENCE SHARES

(I) Information of Preference Shareholders

As at the end of the Reporting Period, the shareholders of preference shares of the Bank was 52. As at 29 February 2024, the shareholders of preference shares of the Bank was 55.

Top 10 Preference Shareholders and Their Shareholdings as at the end of the Reporting Period

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
China Mobile Communications Group Co., Ltd.	–	100,000,000	22.22	Domestic preference share	Nil	State-owned legal entity
HwaBao Trust Co., Ltd. – HwaBao Trust – Baofu Investment No.1 Collective Capital Trust Plan	–	48,910,000	10.87	Domestic preference share	Nil	Others
CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" Open-ended Wealth Management Single Fund Trust	–	20,000,000	4.44	Domestic preference share	Nil	Others
Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-customer Asset Management Plan	–	20,000,000	4.44	Domestic preference share	Nil	Others
AVIC Trust Company Limited – AVIC Trust – Tiangui Winning Together No. 2 Securities Investment Pooled Fund Trust Plan	10,000,000	20,000,000	4.44	Domestic preference share	Nil	Others
Ping An Life Insurance Co., Ltd. – Proprietary fund	–	18,000,000	4.00	Domestic preference share	Nil	Others
China National Tobacco Corporation – Henan Branch	–	15,000,000	3.33	Domestic preference share	Nil	Others
China Life Property & Casualty Insurance Company Limited – Traditional – Common insurance product	–	15,000,000	3.33	Domestic preference share	Nil	Others
Ping An Life Insurance Co., Ltd. –Common insurance product	9,800,000	13,800,000	3.07	Domestic preference share	Nil	Others
Everbright Securities Asset Management ("EBSAM") – Everbright Bank – EBSAM Xinyou No.4 Collective Asset Management Plan	(1,400,000)	11,600,000	2.58	Domestic preference share	Nil	Others

Notes:

1. Shareholdings of preference shareholders are summarised according to the Bank's register members of preference shareholders.
2. "Percentage" refers to the percentage of number of preference shares held by preference shareholders in the total number of preference shares.
3. According to the Administrative Measures on the Connected Transactions of Banking and Insurance Institutions issued by the former CBIRC, to the knowledge of the Bank, China National Tobacco Corporation Henan Branch is related with Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd., which are among top 10 ordinary shareholders of the Bank.
4. The Bank is not aware of the existence of any related relationship among the top 10 preference shareholders or any relationship between the above shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

CHANGES IN SHARES AND SHAREHOLDERS

(II) Dividends Distribution of Preference Shares

The Bank distributed dividends annually for the preference shares in cash. In the event that the Bank resolved to cancel part or all of the dividends of preference shares, the difference in the amount of dividends not fully paid to the shareholders of preference shares in the current period did not accrue to the subsequent interest period. Preference shareholders would not participate in the distribution of the residual earnings with ordinary shareholders after receiving dividends as agreed.

In accordance with the resolution and authorisation of the Shareholders' General Meeting, the 27th meeting of the 10th Session of the Board of Directors of the Bank was held on 28 April 2023, at which the proposal for the dividend distribution of "BOCOM PREF1" was considered and approved. The dividend on "BOCOM PREF1" was calculated at the nominal dividend yield of 4.07% and amounted to RMB1,831,500,000, which was distributed on 7 September 2023 in cash. Please refer to the announcement published by the Bank on 30 August 2023 for details of dividend distribution of preference shares.

(III) Restoration of Voting Rights

During the Reporting Period, the Bank did not restore any voting rights of preference shares.

(IV) Accounting Policy for Preference Shares and its Rationale

According to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments issued by the Ministry of Finance, the International Financial Report Standards 9 – Financial Instruments and the International Accounting Standards 32 – Financial Instruments: Presentation issued by International Accounting Standards Board as well as major terms and conditions of the preference shares issued by the Bank, the preference shares of the Bank were classified as equity instruments.

IV. ISSUANCE, LISTING, TRADING AND REDEMPTION/PAYMENT OF SECURITIES

During the Reporting Period, the Bank issued neither ordinary shares and convertible bonds, nor corporate bonds that were required to be disclosed in accordance with the Standards on the Content and Format of Information Disclosure of Publicly Listed Company No.2 – Content and Format of the Annual Report (2021 Revision) and the Administrative Measures for Information Disclosure of Enterprise Credit Bonds. During the Reporting Period, the Bank and its subsidiaries did not purchase or sell any of the Bank's listed securities.

The Bank did not issue preference shares during the past three years. During the Reporting Period, there was neither any redemption nor conversion of preference shares.

The Bank has no employee stock.

(I) Issuance, Redemption/Payment of Bonds

In March 2023, the Bank issued a 30.0 billion special financial bond for loans to small and micro enterprises in China's National Interbank Bond Market with a term of 3 years and a coupon rate of 2.80%. The proceeds were all used for loans to small and micro enterprises.

In April 2023, the Bank issued a 30.0 billion green financial bond in China's National Interbank Bond Market with a term of 3 years and a coupon rate of 2.77%. The proceeds were all used for green industry projects stipulated in the *Green Bond Endorsed Projects Catalogue (2021 Edition)*.

In July 2023, the Bank issued a 38.0 billion straight bond in China's National Interbank Bond Market with a term of 3 years and a coupon rate of 2.59%. The proceeds were all used for supplementing the Bank's medium- and long-term stabilization funds.

In September 2023, the Bank issued a 30.0 billion straight bond in China's National Interbank Bond Market with a term of 3 years and a coupon rate of 2.70%. The proceeds were all used for supplementing the Bank's medium- and long-term stabilization funds.

In November 2023, the Bank issued a 30.0 billion tier-2 capital bond in China's National Interbank Bond Market, Including 15.0 billion with a term of 5+5 years and a coupon rate of 3.30% and 15.0 billion with a term of 10+5 years and a coupon rate of 3.40%. The proceeds were all used for supplementing the Bank's tier-2 capital.

The Bank paid the total of 90.0 billion straight bonds issued in China's National Interbank Bond Market in August 2023 and November 2023 on the due date. Please refer to Note 30. Debt Securities Issued to the Financial Statements for other bonds issued and still in existence by the Bank and subsidiaries.

(II) Equity Linked Agreement

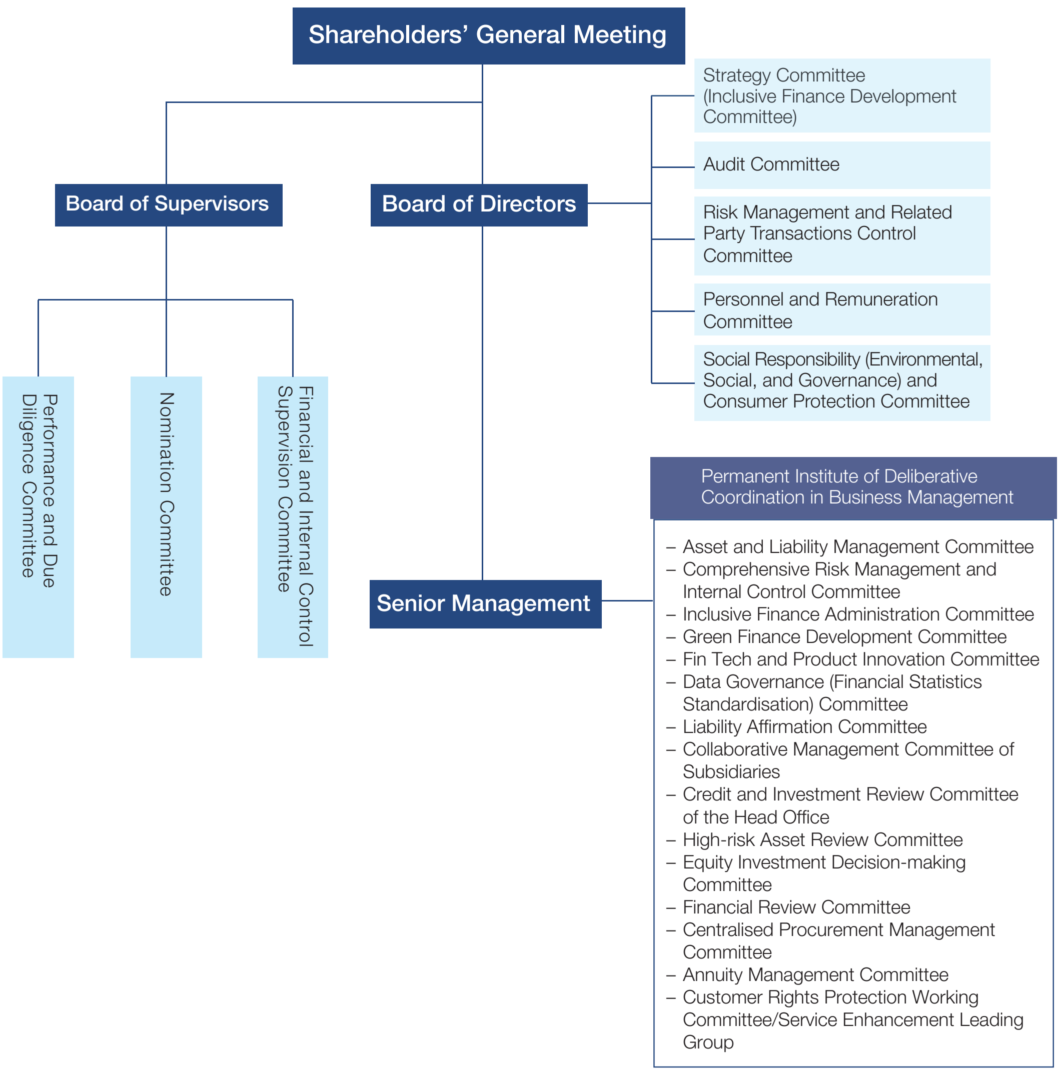
The Bank privately issued domestic preference shares with an amount of 450 million in September 2016. Assuming that the Bank triggers a mandatory share conversion event and all preference shares are mandatorily required to be converted into ordinary shares at the initial share conversion price, the number of the above domestic preference shares being converted into ordinary A shares will not exceed 7.2 billion shares. Please refer to Note 33. Other Equity Instruments to the Financial Statements for other details of domestic preference shares.

CORPORATE GOVERNANCE

Good corporate governance is the cornerstone of the long-term healthy development of commercial banks. The Bank's vision is "constructing the bank with the best corporate governance", keeps pursuing the best practice of corporate governance. Strengthen the party's leadership while improving the corporate governance, continue to promote the organic integration of advanced party's leadership and corporate governance, improve the framework of corporate governance, speed up the establishment of a modern financial enterprise governance mechanism of "statutory rights, transparent rights, coordination and operation, and effective balances", and the scientific nature, integrity and effectiveness of corporate governance are continuously improved. During the Reporting Period, there is no difference between the Bank's corporate governance conditions and the *Company Law of the People's Republic of China, the Securities Law of the People's Republic of China* as well as the normative documents and requirements relating to listed corporate governance issued by the CSRC.

I. CORPORATE GOVERNANCE STRUCTURE

The Bank established a corporate governance structure comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and Senior Management, with clearly defined authorities and responsibilities, balanced equilibrium and coordinated and independent operation.



II. CURRENT STATUS OF CORPORATE GOVERNANCE

The Bank strengthened the Party's leadership in the improvement of corporate governance and improved the coordination and communication mechanism between the Party Committee, the Board of Directors and the Board of Supervisors. The Bank actively strengthen the construction of the Board of Directors and built a diversified and professional Board of Directors with international horizons. The bank effectively carried out the core responsibilities of strategic decision-making of the Board of Directors and risk management, and fostered the governance culture and values featured with prudence, compliance, openness and transparency. In addition, the Bank enhanced the supervisory function of the Board of Supervisors, and especially focused on supervising the implementation of national economic and financial policies and major strategies, as well as the performance of duties, financial activities, internal control and risk management of the Board of Directors, Senior Management and its members. The Senior Management implemented business development strategies and various decisions of the Shareholders' General Meeting and the Board of Directors to achieve the business management goals and promote the high-quality development of the Bank.

During the Reporting Period, the bank further strengthen the institution and improved the corporate governance system. The bank revised the policies and systems during the year, including "Comprehensive Risk Management Policy", "Risk Appetite Management Practices", and "Practices for the Management of Informants of Insider Information", etc., and continuously strengthened the foundation of corporate governance and business management. The Bank comprehensively improve the authorized operation system, revise the "Scheme of Authorization from the General Meeting of Shareholders to the Board of Directors", "Scheme of Authorization from the Board of Directors to the Senior Management" and "Management Measures for the Authorization from the Board of Directors to the Senior Management", to further strengthen the risk prevention and control capability of the Board of Directors while enhancing the operational efficiency. The Bank actively communicated with the regulatory authorities, and the amendment of the Company's Articles of Association was approved by the General Administration of Financial Supervision in October 2023.

Corporate governance operations of the bank were in compliance with relevant laws, administrative regulations, and the regulations of the China Securities Regulatory Commission (CSRC) and the National Administration of Financial Regulation (NAFR) on the governance of listed companies, and there were no significant differences.

III. SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

(I) Shareholders

The largest three shareholders of the Bank are the Ministry of Finance, HSBC and the SSF. The Bank is independent from all shareholders in aspects such as business, employees, assets, institutions and finance and possessed the capacity of independent and complete autonomy over its business and operations. The Bank is listed as a whole and there was no horizontal competition or related transactions arising from certain restructuring. The Bank laid great importance to the protection of shareholders' interests and maintained smooth communication channels with shareholders through holding Shareholders' General Meeting and results briefing, hosting shareholders and setting up investor hotline and emails to ensure that all shareholders enjoy equal status and have the right of knowledge, participation and voting on significant matters. Shareholders can make inquiries to the Board of Directors and make proposals at the Shareholders' General Meeting through the contacts and

CORPORATE GOVERNANCE

contact information listed in the "Corporate Information" of this Annual Report. Please refer to Article 95 and Article 107 of the Articles of Association of the Bank for the method of convening the Extraordinary General Meeting of Shareholders and the procedure of putting forward proposals at the Shareholders' General Meeting.

(II) Shareholders' General Meetings

The Shareholders' General Meeting is the highest authority of the Bank, and exercises relevant functions in accordance with laws. During the Reporting Period, the Shareholders' General Meetings were convened and held in strict accordance with the relevant laws and regulations and the Articles of Association of the Bank. Details are presented on the offical website of the Bank, the website of the SSE and the website of "HKEXnews" of the Hong Kong Stock Exchange.

Session	Date	Proposal	Resolution	Website Designated for Publishing Resolution
2023 First Extraordinary General Meeting	1 March 2023	4 proposals including *Proposal on electing Mr. Yin Jiuyong as an executive director*	All approved	Official website of the Bank, website of the SSE, website of "HKEXnews" of the Hong Kong Stock Exchange
2022 Annual General Meeting	27 June 2023	8 proposal including *2022 Report of Board of Directors*	All approved	Same as above

(III) Implementation of the Resolutions of Shareholders' General Meeting By the Board of Directors

The Board of Directors of the Bank fully implemented the relevant resolutions passed by Shareholders' General Meeting during the Reporting Period, and exercised its functions and powers in strict accordance with *the Bank's Authorisation to Board of Directors by the Shareholders' General Meeting*.

IV. BOARD OF DIRECTORS AND SPECIAL COMMITTEES

The Bank has developed complete and sound procedures for the nomination and election of Directors, which are specified in Articles of Association. The Bank understands and recognises the importance of diversification of members of the Board of Directors, which the Bank views as the vital aspect to improve the effectiveness of corporate governance and to achieve the sustainable development of the Bank. During the process of nominating and appointing members of the Board of Directors, the Bank fully considers the objectives and requirements of diversity from the perspective of strengthening the capacity building of the Board of Directors, and a comprehensive assessment of the expertise, experience and background of the candidates is required to ensure that the strategic decision-making of the Board of Directors is scientific in professional and diversified points of views. The Bank's Board of Directors aims to maintain at least one female director (as of the end of the reporting period, Ms. Li Xiaohui was an Independent Non-executive Director of the Bank). The term of office of the Directors of the Bank is 3 years. Directors can be re-elected upon expiry of the term of office and Independent Non-executive Directors' accumulated tenure in the Bank cannot exceed 6 years.

(I) Constitution of the Board of Directors

As at the end of the Reporting Period, the Board of Directors comprised 16 members, including 2 Executive Directors, namely Mr. Ren Deqi and Mr. Liu Jun, among which, Mr. Ren Deqi was appointed as the Chairman and Mr. Liu Jun was appointed as the Vice Chairman, 8 Non-executive Directors, namely Mr. Li Longcheng, Mr. Wang Linping, Mr. Chang Baosheng, Mr. Liao, Yi Chien David, Mr. Chan Siu Chung, Mr. Mu Guoxin, Mr. Chen Junkui and Mr. Luo Xiaopeng, and 6 Independent Non-executive Directors, namely Mr. Cai Haoyi, Mr. Shi Lei, Mr. Zhang Xiangdong, Ms. Li Xiaohui, Mr. Ma Jun and Mr. Wong Tin Chak. In February 2024, with the approval of the NAFR, Mr. Yin Jiuyong and Mr. Zhou Wanfu took office as Executive Directors of the Bank.

The Bank ensures that all Directors adhere to high ethical standards. The Executive Directors, who have extensive professional knowledge and business management experience of banking, are engaged in the operation and management of commercial banks. With years of experience in fiscal, economic, financial, auditing, and business management sectors, the Non-executive Directors have developed in-depth understanding of policies and practical experience in management. As experts and scholars in domestic and overseas economic, financial, auditing and legal fields, the Independent Non-executive Directors are familiar with domestic and overseas regulatory requirements, laws and regulations, and corporate governance, operation and management of commercial banks. The number of Independent Non-executive Directors of the Bank accounted for one-third of the total number of Directors, which met the regulations requirements.

Chart of constitution of the Board of Directors at the end of the reporting period

Type of Director	Executive Director	Non-executive Director	Independent Non-executive Director
	2	8	6
Location	China	Hong Kong	
	12	4	
Age	Below 50	50-60	Over 60
	2	6	8
Gender	Male	Female	
	15	1	
The term of office of the Directors	Over 3 years	Below 3 years	
	11	5	

(II) Responsibilities of the Board of Directors

The Board of Directors, the decision-making institution of the Bank, is responsible for the Shareholders' General Meeting and takes ultimate responsibilities for business management. The Board of Directors exercises powers and performs duties within the terms of reference as stipulated under the laws, regulations and the Articles of Association of the Bank and as authorised by the Shareholders' General Meetings to protect the legitimate interests of the Bank and its shareholders. The main responsibilities include convening and reporting to

CORPORATE GOVERNANCE

Shareholders' General Meetings; executing resolutions of Shareholders' General Meetings, determining business plans and investment proposals, developing profit distribution plan etc. as set forth in the Articles of Association.

During the Reporting Period, the Board continuously improved the structure and system of corporate governance while accelerating the construction of a governance mechanism for modern financial enterprises that operates and balances coordinately with statutorily defined transparent authorities and responsibilities. We adhered to the general keynote of "seeking progress while maintaining stability", earnestly implemented the "three tasks" of financial work, seize the opportunity, strived to overcome difficulties and steadily pushed forward various reform and development work. The Bank kept and consolidated the development status of maintaining stability with progress made and quality improved.

During the Reporting Period, the Board of Directors primarily focused on six areas. The first was to continuously strengthen the Board of Directors to enhance the modernization of the governance system and governance capacity. The second was to strengthen strategic management and achieve new results in promoting high-quality development. The third was to actively promote reform and innovation to enhance the endogenous dynamics of development. The fourth was to consistently adhere to the concept of prudent management and enhancing comprehensive risk management capabilities. The fifth was to continuously improve investor relations and information disclosure to safeguard and protect investors' interests. The last was to actively practicing the ESG concepts to fulfill the responsibility of a large state-owned bank.

During the Reporting Period, in strict accordance with laws, regulations and supervisory rules such as the *Company Law, the Code of Corporate Governance of Listed Companies and the Corporate Governance Standards for Banking and Insurance Institutions* as well as the Articles of Association of the Bank, Directors of the Bank faithfully, diligently, conscientiously and prudently fulfilled their duties, conscientiously attended at the Shareholders' General Meeting, meetings of the Board of Directors and Special Committees under the Board of Directors and at other meetings held by the Board of Directors and carefully reviewed various proposals. The Directors made decisions on the strategic management, risk management, internal control, profit distribution, nomination and compensation, major investments, equity financing, bond issuance, related party transactions and other major issues of the Bank, and raised no objection to the resolutions of the Board of Directors. The Senior Management of the Bank attached great importance to and actively adopted opinions or suggestions proposed by the Directors, regularly formed the Report on Implementation of Directors' Opinions and submitted it to the Board of Directors for review and implemented these item by item.

In addition, the Bank's corporate governance functions specified in article A.2.1 of the Corporate Governance Code are also performed by the Board of Directors. During the Reporting Period, the work carried out by the Board of Directors in this regard included regular inspection and evaluation of the implementation of the corporate governance system, inspection of the Bank's policies and practices in compliance with legal and regulatory provisions and review of the Bank's compliance with the Corporate Governance Code and its disclosure in this section.

(III) Meetings of the Board of Directors

The Bank formulated Rules of Procedures for the Board of Directors Meetings, which specified stringent requirements regarding the convening manner, notice, procedures, agendas and minutes of the Board's meetings. During the Reporting Period, the Board of Directors of the Bank held 6 meetings, including 5 on-site meetings and one written resolution by means of circulation for consideration. The meeting reviewed and approved 69 proposals such as Periodical Results Announcement, Annual Business Plan, Profit Distribution Plan, Fixed Assets Investment Plan, Issuance of financial bonds, amendments to the authorization; the Special Committees under the Board of Directors held 24 meetings. All of the above meetings were held in accordance with the requirements of the Code of Corporate Governance, Articles of Association and Rules of Procedures for Board of Directors Meetings. Attendance of Directors of the Bank at the Shareholders' General Meeting, meetings of the Board of Directors and Special Committees under the Board of Directors during the Reporting Period is set out as follows:

Attendance at on-site meetings in person/Number of on-site meetings should be attended

			Special Committees under the Board of Directors				
	Shareholders' General Meeting	Board of Directors	Strategy Committee (Inclusive Finance Development Committee)	Audit Committee	Risk Management and Related Party Transactions Control Committee	Personnel and Remuneration Committee	Social Responsibility (Environmental, Social and Governance, ESG) and Consumer Protection Committee
Executive Director							
Ren Deqi	1/2	5/5	5/5	–	–	–	–
Liu Jun	2/2	5/5	5/5	–	–	–	4/4
Non-executive Director							
Li Longcheng	2/2	5/5	–	5/5	–	4/4	–
Wang Linping	2/2	5/5	5/5	–	5/5	–	–
Chang Baosheng	2/2	5/5	–	5/5	–	–	4/4
Liao, Yi Chien David	0/2	4/5	–	–	–	3/4	–
Chan Siu Chung	1/2	4/5	–	–	–	–	3/4
Mu Guoxin	2/2	5/5	5/5	–	5/5	–	–
Chen Junkui	2/2	5/5	4/5	5/5	–	–	–
Luo Xiaopeng	2/2	5/5	5/5	–	–	–	4/4
Independent Non-executive Director							
Cai Haoyi	2/2	5/5	–	–	5/5	4/4	–
Shi Lei	2/2	4/5	–	4/5	–	3/4	–
Zhang Xiangdong	2/2	5/5	–	5/5	5/5	–	–
Li Xiaohui	2/2	5/5	–	5/5	4/4	–	–
Ma Jun	1/2	5/5	4/5	–	3/5	–	–
Wong Tin Chak	–	1/1	–	1/1	1/1	–	–

Note: Directors who are unable to attend meetings of meetings of the Board of Directors or Special Committees under the Board of Directors in person have entrusted other directors to attend and exercise voting rights on their behalf.

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The meeting of the Board of Directors is as follows:

Session	Date	Proposal	Resolution	Website Designated for Publishing Resolution
The 5th Meeting of the 10th Board of Directors	13 January 2023	7 proposals including *2023 Business Plan*	All Approved	Official website of the Bank, website of the SSE, website of "HKEXnews" of the Hong Kong Stock Exchange
The 6th Meeting of the 10th Board of Directors	30 March 2023	28 proposals including *2022 Report of Board of Director*	All Approved	Same as above
The 7th Meeting of the 10th Board of Directors	28 April 2023	15 proposals including *2023 First Quarter Report and Results Announcement*	All Approved	Same as above
The 8th Meeting of the 10th Board of Directors	14 July 2023-27 July 2023	Proposal on *Global Systemically Important Assessment Indicators for 2022*	All Approved	Same as above
The 9th Meeting of the 10th Board of Directors	25 August 2023	7 proposals including *2023 Interim Report and Results Announcement*	All Approved	Same as above
The 10th Meeting of the 10th Board of Directors	27 October 2023	11 proposals including *2023 Third Quarter Report and Results Announcement*	All Approved	Same as above

(IV) Special Committees under the Board of Directors

The Board of Directors set up Strategy Committee (Inclusive Finance Development Committee), Audit Committee, Risk Management and Related Party Transactions Control Committee, Personnel and Remuneration Committee and Social Responsibility (ESG) and Consumer Protection Committee, among which, the Strategy Committee and Inclusive Finance Development Committee perform duties in combination; the Risk Management and Related Party Transactions Control Committee assumed the responsibilities of the US Risk Management Committee; and the Personnel and Remuneration Committee performed the functions both nomination and remuneration.

As at the end of the Reporting Period, Special Committees under the Board of Directors were as follows:

Board of Directors/ Special Committees under the Board of Directors	Strategy Committee (Inclusive Finance Development Committee)	Audit Committee	Risk Management and Related Party Transactions Control Committee	Personnel and Remuneration Committee	Social Responsibility (ESG) and Consumer Protection Committee
Executive Directors					
Ren Deqi	Chairman				
Liu Jun	Member				Chairman
Non-executive Directors					
Li Longcheng		Member		Member	
Wang Linping	Member		Member		
Chang Baosheng		Member			Member
Liao, Yi Chien David				Member	
Chan Siu Chung					Member
Mu Guoxin	Member		Member		
Chen Junkui	Member	Member			
Luo Xiaopeng	Member				Member
Independent Non-executive Directors					
Cai Haoyi			Member	Chairman	
Shi Lei		Member		Member	
Zhang Xiangdong		Member	Chairman		
Li Xiaohui		Chairman		Member	
Ma Jun	Member		Member		
Wong Tin Chak		Member	Member		

During the Reporting Period, the performance results of each Special Committee under the Board of Directors were as below:

1. Strategy Committee (Inclusive Finance Development Committee). The Strategy Committee (Inclusive Finance Development Committee) is primarily responsible for deliberating and studying the Bank's development strategy, medium and long-term development plans and financial technology plans, data governance plans, etc., inspecting, monitoring and evaluating the implementation; analyzing and evaluating the Bank's assets management, deliberating and studying capital planning and capital replenishment plans; deliberating and studying the Bank's significant investment plans (including significant equity investment); deliberating and studying the Bank's annual business plans; formulating and reviewing the strategic plans for the development of inclusive financial business, operating plan, basic policy system, etc.; deliberating and studying the establishment of internal functional departments of the Bank and the establishment plans of domestic first-tier branches, overseas branches and domestic and overseas subsidiaries; inspecting and evaluating the implementation of the Bank's corporate governance system, monitoring and evaluating the compliance and effectiveness of corporate governance.

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During the Reporting Period, Strategy Committee (Inclusive Finance Development Committee) held 5 meetings on 13 January, 28 March, 27 April, 24 August and 26 October respectively, reviewed and approved 25 proposals, presented professional recommendations to the Board of Directors. Among them, the Committee effectively played a strategic leading role, reviewed and approved the annual business plan, the issuance of financial bonds, the annual overseas investment plan, and the optimisation of the functional structure of the relevant departments of the head office. The Committee regularly monitored and evaluated strategy implementation, monitored the implementation of the Bank's strategic plan from a panoramic perspective, and promoted the implementation of strategies in key areas; The Committee regularly received reports on the development of inclusive finance, and promoted the gradual formation of the concept of "Greater Inclusion". The Committee also continuously strengthened the corporate governance mechanism, supervised and assessed the implementation of the annual authorisation of operations, studied and amended the authorization to the Board of Directors by the Shareholders' General Meeting, the authorization to the Senior Management by the Board of Directors, and the administrative measures for the authorisation to the Senior Management by the Board of Directors.

2. Audit Committee. The Audit Committee is mainly responsible for proposing the appointments, re-appointments or removal of the Bank's auditors who conduct regular statutory audits for the Bank's financial reports and is responsible for specific implementation matters. The Committee is responsible for monitoring and evaluating the relationship between the Bank and external auditors and the work of external auditors; guiding, assessing and evaluating internal audit work, internal audit system and implementation; coordinating the communication between the Bank's Senior Management, internal audit department, and relevant departments with external audit institutions; reviewing the Bank's financial information and its disclosure, inspecting accounting policies and practices, supervising financial status and financial reporting procedures, and expressing opinions on financial reports; supervising and evaluating the effectiveness of the Bank's internal controls, and examining internal controls (including financial controls) system and its implementation.

During the Reporting Period, The Audit Committee held 5 meetings on 13 January, 29 March, 27 April, 24 August and 26 October respectively, reviewed and approved 31 proposals. Among them, the Committee strictly complied with the listing rules and accounting standards, monitored and reviewed periodic reports, regularly communicated with the Senior Management and external auditors, expressed opinions on the authenticity, completeness and accuracy of the Bank's financial information. The Audit Committee attached great importance to the audit work, considered and adopted the annual work plan of the internal audit, the report on the services of the external auditor, and agreed to adjust the disclosure of the agreed procedures for the implementation of quarterly financial reports, etc.; listened to the report on the work of the internal audit on a quarterly basis, evaluated the work of the internal and external audits, and put forward opinions as well as suggestions on comprehensively pushing forward the digital transformation of the auditing, strengthening the thinking of digital auditing, exploring the paths of digital auditing and strengthening the the construction of audit talent team for industry-technology integration, and continuously optimising the audit work mechanism. Continuously supervised and reviewed the Bank's internal control system, considered the annual internal control evaluation report, assessed and supervised the effectiveness of the internal control system; The Audit Committee listened to the report on important issues identified by internal audits and their rectification, and strengthened the supervision of rectification of the identified issues.

3. Risk Management and Related Party Transactions Control Committee. The Committee is primarily responsible for reviewing and revising the Bank's risk strategy, risk management policies, risk appetite, comprehensive risk management framework and internal control procedures based on the Bank's overall strategy; monitoring and commenting on the Bank's comprehensive risk management; supervising the Senior Management to effectively identify, measure, monitor, control and deal with various risks in a timely manner; regularly reviewing the Bank's annual risk appetite, setting scientific and reasonable risk preference statement, risk tolerance and risk limit; assuming the responsibilities of the US Risk Management Committee; reviewing and amending the Bank's basic system for management of related party transactions, reviewing and amending the policies of consolidated statements management; establishing the goal of building the Bank's anti-money laundering risk management culture; promoting a robust risk culture; reviewing the Bank's significant fixed asset investment, asset disposal, bad debt write-off, asset mortgage or external guarantee, etc.

During the Reporting Period, the Risk Management and Related Party Transactions Control Committee held 5 meetings on 13 January, 29 March, 27 April, 24 August and 26 October respectively, reviewed and approved 42 proposals and presented professional recommendations to the Board of Directors. The Committee continuously supervised the overall risk management and reviewed the comprehensive risk assessment report on a quarterly basis, assessed the effectiveness of risk management and control including credit risk, liquidity risk, market risk, internal control and operational risk, compliance and anti-money laundering and country risk, etc. The Committee also continuously supervised the risk management system, and reviewed the annual risk appetite and risk policy, the risk assessment report on the management of consolidated statements, anti-money laundering, related party transactions, compliance and risk management and the U.S. branches, etc. In the course of deliberation, the Committee suggested to focus on key industries and fields, prevent and resolve risks in key areas such as real estate, local government platforms, credit cards, overseas branches and subsidiaries, adhere to the principle of "strictly controlling new additions and clearing out stock", increase the construction and application of risk monitoring systems, and further enhance the accuracy and effectiveness of risk monitoring.

4. Personnel and Remuneration Committee. The Personnel and Remuneration Committee is primarily responsible for making recommendations to the Board of Directors on its scale and structure according to the operating results, the scale of assets and the structure of shareholding, approving and amending the policies on diversity of the Board of Directors, making recommendations to the Board of Directors on formulating the selection procedures and assessment criteria for the Bank's Directors and Senior Management personnel; reviewing the basic systems and policies of remuneration management and putting forward suggestions on the salary distribution plan of Directors and Senior Management and then submitting it to the Board of Directors for deliberation. The Personnel and Remuneration Committee performed the functions both as a Nomination Committee and a Remuneration Committee.

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The Personnel and Remuneration Committee's nomination procedures for the Bank's directors and Senior Management are as follows: Firstly, understand the Bank's demands for directors in time. Secondly, extensively search for candidates of directors according to the demands. Thirdly, determine the initial candidates. The office of the Board of Directors collects and organizes the resumes of initial candidates and form written materials. Fourthly, obtain initial candidates' agreements or they can not be the candidates of directors. Fifthly, convene the meetings of the Personnel and Remuneration Committee to conduct examinations for the qualification of the initial candidates based on the Bank's employment conditions for directors. Sixthly, propose to the Board of Directors about the election of new director and report written deliberation opinions to the Board of Directors. Seventhly, implement other following-up duties based on decisions and feedbacks of the Board of Directors.

During the Reporting Period, the Personnel and Remuneration Committee held 5 meetings on 13 January, 29 March, 27 April, 31 July-4 August (written resolution by means of circulation for consideration), 24 August respectively, reviewed and approved 21 proposals, including the election of Independent Non-executive Directors, the remuneration package for Directors and Senior Management for the year 2022, the renewal or appointment of Senior Management, and the amendment of the assessment and allocation method for non-central management executives, and reported its professional opinions to the Board of Directors.

5. Social Responsibility (ESG) and Consumer Protection Committee. The Committee is primarily responsible for formulating the Bank's social responsibility strategies and policies and fulfilling plans and measures of social responsibilities; researching, formulating, evaluating and improving the effectiveness of the Bank's performance of social responsibilities; reviewing the strategies, policies and goals on protecting the consumers' rights; studying key issues and significant policies on consumer's rights protection; green finance work, establishing and implementing green development concepts such as saving, low-carbon, environmental protection, and sustainable development in the Bank; approving external donations according to the authorisation of the Board of Directors, submitting to the Board of Directors or Shareholders' General Meeting for approval of additional external donations; monitoring and evaluating the implementation of the Bank's social responsibilities, consumer protection, green finance development etc.

During the Reporting Period, the Committee held 4 meetings on 29 March, 27 April, 24 August, and 26 October respectively, reviewed and approved 12 proposals, and presented professional recommendations to the Board of Directors. Among which, the Committee attached great importance to and continuously strengthened its work on consumer protection, regularly listened to reports on consumer protection, supervised and reported on consumer complaints, revised the Consumer Protection Policy, put forward suggestions and recommendations to comprehensively and systematically improve various consumer protection mechanisms, regulate business conduct, improve the quality of dispute resolution work, and incorporate digital means into the entire management process to enhance the level of consumer protection, and so on. The Committee continued to promote the development of green finance, reviewed the annual report on green financial work, and put forward opinions and suggestions on improving the focus on key areas and regions, promoted the rapid growth of green credit, steadily advanced green operations, and improved the system of green financial products, systems and standards. The Committee actively fulfilled its responsibility as a large state-owned bank by reviewing the external donation programme and strengthening the evaluation of the implementation of the donation budget.

During the Reporting Period, the Directors of the Bank did not raise objections to the proposals of the Board of Directors and the Special Committees of the Board of Directors.

(V) Independent Non-Executive Directors

The Bank focuses on the role of Independent Non-executive Directors in corporate governance to ensure that independent views and opinions are available to the Board:

1. According to the *Articles of Association*, the Independent Non-executive Directors shall express objective and impartial independent opinions on the matters to be considered by the shareholders' general meeting or the Board of Directors of the Bank, and in particular, they shall express their opinions on matters such as major connected transactions, profit distribution plan, nomination/removal of directors, appointment/dismissal of Senior Management, remuneration of directors and Senior Management, and appointment/dismissal of accounting firms. During the Reporting Period, the Independent Non-executive Directors issued independent opinions on 21 proposals considered by the Board of Directors.

2. As at the end of the Reporting Period, the Bank had 6 Independent Non-executive Directors. Their qualifications were in compliance with the domestic and overseas regulatory regulations. The independence of the independent non-executive directors was effectively safeguarded as they did not have any businesses or financial interests in the Bank or its subsidiaries and they did not assume any executive positions in the Bank. The Bank received annual independence confirmation letters from all independent non-executive directors and considered that each of the independent non-executive directors was independent.

3. During the Reporting Period, the time that each independent non-executive director devoted to the work of the Bank was in compliance with the requirements of *the Articles of Association* and *the Working Practice of Independent Directors* of the Bank. The Special Committees under the Board of Directors, namely Audit Committee, Risk Management and Related Party Transactions Control Committee and Personnel and Remuneration Committee, were all chaired by independent non-executive directors. The independent non-executive directors actively voiced their comments or suggestions in the Board's meetings. The Board of Directors paid great attention to comments or suggestions proposed by Independent Non-executive Directors and required Senior Management to study them. In addition to attending meetings, each Independent Non-executive Director communicated with Senior Management effectively through various channels including on-site research and discussion sessions. The Chairman of the Board also meets the Independent Non-executive Directors annually in the absence of the Executive Directors and Non-Executive Directors.

In addition, the Directors of the Bank may seek independent professional advice when necessary, and the relevant costs will be borne by the Bank. The Board has reviewed the implementation of the above mechanism during the reporting period and considers that it is effective in ensuring that the Board has access to independent views and opinions. Details about the fulfilment of duty of independent non-executive directors of the Bank

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during the Reporting Period were disclosed in *the Work Report of the Independent Non-executive Directors for 2023* published on the website of the SSE and the website of "HKEXnews" of the Hong Kong Stock Exchange.

(VI) Participation in Training and Research by Directors during the Reporting Period

The Directors of the Bank have continued to enhance their ability to perform their duties by actively conducting research and attending training. During the reporting period, taking into account the economic and financial situation as well as the Bank's business development priorities, the Non-executive Directors and Independent Non-executive Directors of the Bank carried out research activities in a number of domestic and overseas branches, with the topics of research including service to the real economy, implementation of the development strategy, science and technology finance, inclusive financial, risk management and internal control and compliance management, etc. The Directors prepared a number of reports for submission to the Board of Directors and Senior Management. The Directors have written a number of research reports for the reference of the Board of Directors and Senior Management, which have contributed to the improvement of the Bank's operation and management level. During the reporting period, the Bank actively organised various forms of online and offline training for directors to help them improve their abilities in performing their duties.

Major Trainings	Attendees
1. China Listed Companies Association Online Training for Chairman, General Manager and Supervisor Chairman	Ren Deqi, Liu Jun
2. Hong Kong Corporate Governance Association The 69th Enhanced Continuing Professional Development Seminar for Corporate Governance Professionals	Li Longcheng, Wang Linping, Chang Baosheng, Mu Guoxin, Zhang Xiangdong, Li Xiaohui
3. Hong Kong Corporate Governance Association The 70th Enhanced Continuing Professional Development Seminar for Corporate Governance Professionals	Zhang Xiangdong
4. Hong Kong Corporate Governance Association The 72th Enhanced Continuing Professional Development Seminar for Corporate Governance Professionals	Li Longcheng, Wang Linping, Chang Baosheng, Wong Tin Chak
5. Shanghai Listed Companies Association 2023 Training Course for Directors, Supervisors and Executives of Listed Companies and Reform of Independent Directors System	Li Longcheng, Chang Baosheng, Chan Siu Chung, Mu Guoxin, Chen Junkui, Luo Xiaopeng
6. Shanghai Stock Exchange Initial Training for Directors, Supervisors and Executives of Listed Companies	Mu Guoxin, Luo Xiaopeng
7. Shanghai Stock Exchange Follow-up training for independent directors of listed companies	Cai Haoyi, Shi Lei, Li Xiaohui, Zhang Xiangdong, Ma Jun, Wong Tin Chak
8. Specialised training on anti-money laundering	All Directors

(VII) Responsibility of the Board of Directors for the Financial Statements

The directors are responsible for monitoring the preparation of annual financial statements to give a true and fair view of the Group's financial condition, operating results and cash flows in the corresponding accounting period. In preparing for the financial statements for the year ended 31 December 2023, the directors ensured that appropriate accounting policies were adopted and consistently applied, and they also made reasonable and prudent accounting judgements and estimates. The directors acknowledged their responsibility for the preparation of financial statements.

(VIII) Specific Notification and Independent Opinion of the Independent Non-Executive Directors on External Guarantees Provided by the Bank

The independent non-executive directors of the Bank considered that the provision of external guarantees was in the ordinary course of the Bank's businesses as approved by the regulatory authorities. The Bank developed prudent risk management and monitoring policies on the standard of the credit assessment of guarantee, as well as operational and credit approval procedures. The management of the risks of its external guarantee business is effective.

(IX) Secretary of the Board of Directors and Secretary of the Company

During the reporting period, in accordance with the requirements of the Hong Kong Listing Rules, Mr. He Zhaobin, the Secretary to the Board of Directors and the Company Secretary of the Bank, has attended more than 15 hours of professional training.

V. BOARD OF SUPERVISORS AND SPECIAL COMMITTEES UNDER THE BOARD OF SUPERVISORS

(I) Composition of the Board of Supervisors and performance of duties

The Board of Supervisors is the Bank's supervisory body and is responsible for the Shareholders' General Meeting. The Board of Supervisors executes its authority within the scope of laws and regulations, regulatory provisions, as well as the terms of reference granted by *the Bank's Articles of Association* and the General Meeting of Shareholders. The duties of the Board of Supervisors include the supervision of the company's development strategy, business decisions, risk management, internal control and other areas.

As of the date of this report, there were 9 members on the Board of Supervisors, including 2 Shareholder Supervisors, 3 External Supervisors and 4 Employee Supervisors. The proportion of External Supervisors and Employee Supervisors among the members of the Board of Supervisors is in line with the regulatory requirements. The members of the Board of Supervisors are well versed in the operation and management rules of the financial industry, and their experience covers large state-owned enterprises, financial universities and commercial banks, and they have profound theoretical background and rich experience in the fields of finance, auditing and accounting, which can provide sharp judgment and broad vision for the Board of Supervisors.

During the Reporting Period, the Board of Supervisors held meetings in compliance with the law and held 4 meetings of the Board of Supervisors by way of on-site meetings on 29-30 March, 28 April, 25 August and 27 October, respectively, and considered and passed 19 proposals, mainly including the four periodic reports of the Bank, the profit distribution plan for 2022, the internal control evaluation report for 2022, the consolidated management report for 2022, the financial accounts report for 2022, the corporate social responsibility (ESG) report for 2022, the work report of the Board of Supervisors for 2022, opinion of the Board of Supervisors on the performance of the Board of Directors and its members for 2022, the evaluation by the Board of Supervisors of the performance of the Senior Management and its members for 2022, the self-evaluation of the performance of the Board of Supervisors and its members for 2022, the amendment of the Articles of Association, the amendment of the Rules of Procedure of the Board of Supervisors, the remuneration package of the Board of Supervisors for 2022, the report on the implementation of the strategy for 2022, the

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evaluation results of the audit assessment for 2022, and the Report on Consumer Protection in the First Half of 2023. The Board of Supervisors reviewed reports on comprehensive risk management, financial inclusion, data governance, green finance, consumer protection, fixed asset investment, capital adequacy, internal audit, compliance risk, anti-money laundering, assessment and remuneration mechanism, and connected transactions, etc., and informed the supervisory opinions and the rectification of problems, the meeting deliberates, reviewed and informed the content of comprehensive coverage of statutory matters to ensure the effective performance of supervisory duties.

(II) Composition and performance of Special Committees

The Board of Supervisors of the Bank has 3 Special Committees, namely, the Performance Due Diligence Committee, the Nomination Committee and the Financial and Internal Control Supervision Committee, with the following composition:

Board of Supervisors/ Special Committees under the Board of Supervisors	Performance and Due Diligence Committee	Nomination Committee	Financial and Internal Control Supervision Committee
Shareholder Supervisors			
Xu Jiming	Chairman		
Wang Xueqing		Member	
External Supervisors			
Li Yao		Chairman	Member
Chen Hanwen	Member		Chairman
Su Zhi	Member		Member
Employee Supervisors			
Guan Xingshe	Member		Member
Lin Zhihong			Member
Feng Bing		Member	
Po Ying		Member	

The Special Committees of the Board of Supervisors held 8 meetings in 2023 and considered 36 proposals and reports, giving full play to their supervisory support role. Among them, the Performance and Due Diligence Committee is mainly responsible for carrying out daily supervision and comprehensive evaluation of the performance of the Bank's Board of Directors, Senior Management, Board of Supervisors and its members and reporting to the Board of Supervisors. The Nomination Committee is responsible for formulating the procedures and criteria for the selection and appointment of supervisors, conducting preliminary review of the qualifications of candidates for supervisors and making recommendations to the Board of Supervisors; supervising the selection and appointment procedures of directors and other important personnel; and supervising the scientific and reasonable nature of the Bank's performance appraisal system, remuneration management system and policies and remuneration packages for Senior Management. The Finance and Internal Control Supervision Committee is mainly responsible for drawing up supervision plans for the Bank's financial activities, information disclosure, etc. and implementing relevant inspections, and its main responsibilities include financial supervision, capital supervision, internal control and compliance supervision, and risk supervision.

(III) Participation of supervisors

All supervisors of the Bank perform their duties faithfully and diligently in strict accordance with *the Company Law*, *the Code of Corporate Governance for Banking and Insurance Institutions*, *the Guidelines for the Work of the Board of Supervisors of Commercial Banks* and other laws, regulations and rules, as well as the provisions of *the Articles of Association of the Bank*, attend meetings of the shareholders' meeting, the Board of Supervisors and its special committees, attend relevant meetings of the Board of Directors and Senior Management, carefully consider the proposals, review and refer to relevant materials and listen to important reports. They also attended the meetings of the Board of Directors and Senior Management, reviewed and referred to the relevant materials, listened to important reports and put forward constructive opinions and suggestions. During the Reporting Period, all supervisors of the Bank complied with the relevant regulatory requirements in terms of the length of their duties and the number of meetings attended.

Supervisors	Position	Attendance at meetings in person	Attendance in person percentage (%)
Xu Jiming	Chairman of the Board of Supervisors and Shareholder Supervisor	4/4	100
Wang Xueqing	Shareholder Supervisor	4/4	100
Li Yao	External Supervisor	4/4	100
Chen Hanwen	External Supervisor	4/4	100
Su Zhi	External Supervisor	4/4	100
Guan Xingshe	Employee Supervisor	4/4	100
Lin Zhihong	Employee Supervisor	4/4	100
Feng Bing	Employee Supervisor	4/4	100
Po Ying	Employee Supervisor	4/4	100
Average attendance in person percentage			100

(IV) Research and training of supervisors

The Board of Supervisors of the Bank actively organises supervisors to conduct special research and write a series of high-quality research reports for submission to the Board of Directors and Senior Management, as follows:

Research Projects	Departments and agencies involved
1. Report of the Board of Supervisors on the Supervisory Study of the Retail Transformation Strategy	Relevant departments of head office, Beijing Branch, Shanghai Branch, Jiangsu Branch, Shenzhen Branch, Guangxi Branch and BOCOM Wealth Management Co., Ltd
2. Supervisory Research Report on Bank-wide Services in the Field of Rural Revitalisation	Relevant departments of the head office, Shanghai branch, Jiangsu branch, Zhejiang branch, Hunan branch
3. Assessment report on the Board of Supervisors's strategic oversight "look back"	Relevant departments of the head office, Beijing Branch, Hebei Xiongan Branch, Shanghai Branch, Hubei Branch, Guangdong Branch

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The Bank continues to enhance the capacity of supervisors to perform their duties and organizes supervisors to attend a series of professional trainings by combining internal and external resources, the main trainings are as follows:

Training Programs	Participants
1. Board of Supervisors professional training on the implementation of the retail transformation strategy	Li Yao, Chen Hanwen, Su Zhi, Guan Xingshe, Lin Zhihong, Feng Bing, Po Ying
2. Shanghai Jurisdiction 2023 Training Course for Directors, Supervisors and Executives of Listed Companies and Reform of the Independent Directors System	Li Yao, Guan Xingshe
3. Anti-money laundering regulatory situation analysis and training on new regulations	Xu Jiming, Wang Xueqing, Li Yao, Chen Hanwen, Su Zhi, Guan Xingshe, Lin Zhihong, Feng Bing, Po Ying

VI. SENIOR MANAGEMENT

The Bank's Senior Management comprised President, Executive Vice President, Chief Business Officers, BoCom-HSBC Strategic Cooperation Consultant, and other management personnel as approved by the Board of Directors. The Bank adheres to a system under which President, as the ultimate responsible officer, reports to the Board of Directors, while all functional departments, branches, offices and other Senior Management report to President. President has the authority to conduct the Bank's business operations in compliance with the relevant laws and regulations, the Articles of Association and authorisation from the Board of Directors, with primary responsibilities including but not limited to day-to-day operating management of the Bank and report to the Board of Directors, implementation of the resolutions of the Shareholders' General Meetings and meetings of the Board of Directors, preparation and implementation of annual business plan and investment plan after the approval of the meetings of the Board of Directors and Shareholders' General Meeting, preparation of annual financial budget plans, financial plans and profit distribution plans, drafting the proposal for setting up internal management department, basic management policies and specific regulations of the Bank.

During the Reporting Period, Senior Management of the Bank conducted business operations within the scope of *Articles of Association* and authorization of the Board of Directors, carefully implemented resolutions of the Shareholders' General Meeting and the Board of Directors and successfully achieved the annual business targets determined by the Board of Directors. The Board of Directors was satisfied with the performance of Senior Management for the year 2023.

VII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank currently has 18 Directors, 9 Supervisors and 12 Senior Management, whose names and biographies are as follows:

Name	Position	Gender	Age	Beginning and ending dates of term
Ren Deqi	Chairman of the Board of Directors and Executive Director	Male	60	August 2018 – date of 2024 Annual General Meeting
Liu Jun	Vice Chairman of the Board of Directors, Executive Director and President	Male	51	August 2020 – date of 2024 Annual General Meeting (Director Term) July 2020 – (Senior Management Term)
Yin Jiuyong	Executive Director and Executive Vice President	Male	56	February 2024 – date of 2024 Annual General Meeting (Director Term) September 2019 – (Senior Management Term)
Zhou Wanfu	Executive Director and Executive Vice President	Male	58	February 2024 – date of 2024 Annual General Meeting (Director Term) July 2020 – (Senior Management Term)
Li Longcheng	Non-executive Director	Male	60	June 2020 – date of 2024 Annual General Meeting
Wang Linping	Non-executive Director	Male	60	January 2021 – the same as above
Chang Baosheng	Non-executive Director	Male	55	January 2021 – the same as above
Liao, Yi Chien David	Non-executive Director	Male	51	May 2021 – the same as above
Chan Siu Chung	Non-executive Director	Male	61	October 2019 – the same as above
Mu Guoxin	Non-executive Director	Male	57	August 2022 – the same as above
Chen Junkui	Non-executive Director	Male	49	August 2019 – the same as above
Luo Xiaopeng	Non-executive Director	Male	48	August 2022 – the same as above
Cai Haoyi	Independent Non-executive Director	Male	69	August 2018 – the same as above
Shi Lei	Independent Non-executive Director	Male	66	December 2019 – the same as above
Zhang Xiangdong	Independent Non-executive Director	Male	66	August 2020 – the same as above
Li Xiaohui	Independent Non-executive Director	Female	56	November 2020 – the same as above
Ma Jun	Independent Non-executive Director	Male	60	August 2022 – the same as above
Wong Tin Chak	Independent Non-executive Director	Male	59	October 2023 – the same as above
Xu Jiming	Chairman of the Board of Supervisors and Shareholder Supervisor	Male	57	October 2021 – the same as above
Wang Xueqing	Shareholder Supervisor	Male	56	June 2017 – the same as above
Li Yao	External Supervisor	Male	53	October 2017 – the same as above
Chen Hanwen	External Supervisor	Male	56	June 2019 – the same as above
Su Zhi	External Supervisor	Male	46	June 2022 – the same as above
Guan Xingshe	Employee Supervisor	Male	59	October 2018 – the same as above
Lin Zhihong	Employee Supervisor	Female	55	December 2020 – the same as above
Feng Bing	Employee Supervisor	Female	49	December 2020 – the same as above
Po Ying	Employee Supervisor	Female	52	November 2021 – the same as above
Huang Hongyuan	Executive Vice President	Male	59	December 2022 –
Hao Cheng	Executive Vice President	Male	52	March 2021 –

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Name	Position	Gender	Age	Beginning and ending dates of term
Qian Bin	Executive Vice President and Chief Information Officer	Male	51	July 2021 –
He Zhaobin	Secretary of the Board of Directors	Male	54	June 2023 –
Tu Hong	Chief Business Officer (Interbank and Market Business)	Male	58	September 2018 –
Lin Hua	Chief Business Officer (Retail and Private Business)	Male	55	June 2023 –
Liu Jianjun	Chief Risk Officer	Male	56	June 2023 –
Wang Wenjin	Chief Business Officer (Corporate and Institutional Business)	Male	51	June 2023 –
Cho Kwok Hung	BoCom-HSBC Strategic Cooperation Consultant	Male	57	April 2023 –

Notes:
1. Term of office of directors begins from the date of appointment qualification approved by the regulatory authority.
2. The term of office of Supervisors starts from the date of their election by the general meeting of shareholders and the employees' representative meeting.

Mr. Ren Deqi Chairman of the Board of Directors and Executive Director

Main duties

Chairman of the Board of Directors of the Bank since January 2020.
Executive Director of the Bank since August 2018.

Educational background and professional qualification

Obtained Master's degree in Engineering from Tsinghua University in 1988.
Senior Economist

Experience

Mr. Ren served as Vice Chairman of the Board of Directors, Executive Director and President of the Bank. Mr. Ren served as Executive Director and Executive Vice President of Bank of China. During the period, he also served as Non-executive Director of Bank of China Hong Kong (Holdings) Limited and Chief Executive Officer of Shanghai Renminbi Trading Business Headquarter of Bank of China. Mr. Ren served as several positions in China Construction Bank, including General Manager of the Risk Management Department, President of the Hubei Branch, General Manager of the Credit Management Department, General Manager of the Risk Monitoring Department and Deputy General Manager of the Credit Approval Department.

Mr. Liu Jun Vice Chairman of the Board of Directors, Executive Director and President

Main duties

Vice Chairman of the Board of Directors and Executive Director of the Bank since August 2020.
President of the Bank since July 2020.

Educational background and professional qualification

Obtained Doctoral degree in Business Administration from Hong Kong Polytechnic University in 2003.
Senior Economist

Experience

Mr. Liu served as Executive Vice President of China Investment Corporation. Mr. Liu served as Deputy General Manager of China Everbright Group Ltd., Executive Director and Deputy General Manager of China Everbright Group Limited. During the period, he also successively served as Chairman of Sun Life Everbright Life Insurance Company Limited, Vice Chairman of China Everbright Holdings Company Limited., Executive Director and Vice Chairman of China Everbright Limited, Executive Director and Vice Chairman of China Everbright International Limited, and Chairman of China Everbright Industrial (Group) Co., Ltd. Mr. Liu served as Assistant to President and Executive Vice President of China Everbright Bank, during the period he concurrently acted as President of Shanghai Branch of China Everbright Bank and General Manager of the Financial Market Centre of China Everbright Bank.

Mr. Yin Jiuyong **Executive Director and Executive Vice President**

Main duties

Executive Directors of the Bank since February 2024.
Executive Vice President of the Bank since September 2019.

Educational background and professional qualification

Obtained Doctoral degree in Agriculture from China Agricultural University in 1993.
Senior Economist

Experience

Mr. Yin Served as Vice President of Agricultural Development Bank of China, Director of the Office, President of Henan Branch, General Manager and Deputy General Manager of the Customer Department (during the period of posting as Deputy Manager of the Business Department of Baoding Branch and Deputy President of Baoding Branch), Deputy Director of the Credit Department and other positions.

Mr. Zhou Wanfu **Executive Director and Executive Vice President**

Main duties

Executive Director of the Bank since February 2024.
Executive Vice President of the Bank since July 2020.

Educational background and professional qualification

Obtained MBA degree from Nanyang Technological University in Singapore in 2003.
Obtained Master's degree in Economics from the Graduate School of the People's Bank of China in 1988.

Experience

Mr. Zhou was the Secretary of the Board of Directors of the Agricultural Bank of China, General Manager of the Strategic Planning Division of the Head Office, Director of the Tianjin Training Institute, Executive Vice President of the Chongqing Branch, General Manager of the Asset and Liability Management Department of the Head Office, Deputy General Manager of the Budget and Finance Department, Deputy General Manager of the Asset and Liability Management Department, Executive Vice President of the Ningbo Branch as well as other positions.

Mr. Li Longcheng **Non-executive Director**

Main duties

Non-executive Director of the Bank since June 2020.

Educational background and professional qualification

Obtained Doctoral degree in Management from Northeast Forestry University in 2003.

Experience

Mr. Li served as Director of the Heilongjiang Supervision Bureau of Ministry of Finance, Chief Inspector of the Heilongjiang Supervision & Inspection Office of Ministry of Finance, Chief Inspector of the Liaoning Supervision & Inspection Office of Ministry of Finance, Deputy Inspector of the Heilongjiang Supervision & Inspection Office of Ministry of Finance, and Deputy Inspector of the Zhejiang Supervision & Inspection Office of Ministry of Finance. Mr. Li served as Assistant Commissioner of the Office of the Commissioner of the Ministry of Finance in Heilongjiang and other positions.

Mr. Wang Linping **Non-executive Director**

Main duties

Non-executive Director of the Bank since January 2021.

Educational background and professional qualification

Obtained Bachelor's degree in Philosophy from Zhongnan University of Economics and Law in 1986.

Experience

Mr. Wang served as Level-one Inspector of the Retired Cadres Bureau of Ministry of Finance, Chairman of China Finance and Economic Media Group. Mr. Wang served as Minister and Vice Minister of the Department of Administrative Finance of the Liaison Office of the Central People's Government in Macao Special Administrative Region.

Mr. Chang Baosheng **Non-executive Director**

Main duties

Non-executive Director of the Bank since January 2021.

Educational background and professional qualification

Graduated from Zhongnan University of Economics and Law in 1989.

Experience

Mr. Chang served as Level-two Inspector and Deputy Inspector of the Ningxia Supervision Bureau of Ministry of Finance. Mr. Chang served as Deputy Inspector, Assistant Commissioner, Deputy Director of the Third Business Department, Deputy Director of the Second Business Department and Deputy Director of the General Office of Ningxia Supervision and Inspection Office of Ministry of Finance.

CORPORATE GOVERNANCE

Mr. Liao, Yi Chien David Non-executive Director

Main duties

Non-executive Director of the Bank since May 2021.

Co-chief Executive Officer and Executive Director of HSBC, a substantial shareholder of the Bank, and Chief Administrative Officer and Member of the Group Executive Committee of the HSBC Group.

Educational background and professional qualification

Obtained honorary Bachelor's degree from University of London in 1995.

Other duties

Chairman of HSBC Bank (China) Company Limited, Non-Executive Director of Hang Seng Bank Limited.

Experience

Mr. Liao served as the general manager of HSBC Holdings plc and the Head HSBC Asia Pacific Global Banking, President and Chief Executive Officer of HSBC China, Director of Global Banking and Capital Market of HSBC China, Director of Global Capital Market of HSBC China, and Treasurer of HSBC China. Mr. Liao took positions in the Industrial Bank of Japan (currently Mizuho International Plc).

Mr. Chan Siu Chung Non-executive Director

Main duties

Non-executive Director of the Bank since October 2019.

Head of Capital Market for Greater China Region at HSBC, a substantial shareholder of the Bank.

Educational background and professional qualification

Obtained Master's degree in Applied Finance from Macquarie University, Australia in 1994.

Experience

Mr. Chan served as the Co-Head of Capital Markets for Asia-Pacific at HSBC, Deputy Head of the Global Markets Asia Pacific and Head of Trading in Hong Kong, Head of Trading in Hong Kong, Head of Hong Kong Dollar Interest Rate and Derivatives Trading, Senior Interest Rate Dealer and Senior Dealer.

Mr. Mu Guoxin Non-executive Director

Main duties

Non-executive Director of the Bank since August 2022.

Working Director of the SSF, a substantial shareholder of the Bank.

Educational background and professional qualification

Obtained MPA degree under the cooperative cultivation programme between Peking University and the National Academy of Governance in 2008.

Senior Accountant

Other duties

Non-executive Director of China CITIC Limited, Non-independent Director of COFCO Fulinmen Co.

Experience

Mr. Mu served as Director and Deputy Director of the Fund Finance Department of the Social Security Foundation, and Director of Jianxin Life Insurance Co.

Mr. Chen Junkui Non-executive Director

Main duties

Non-executive Director of the Bank since August 2019.

Deputy Director-General of the Financial Management and Supervision (Internal Audit) Department of the State Tobacco Monopoly Administration.

Educational background and professional qualification

Obtained Master's degree in Management from Capital University of Economics and Business in 2002.

Senior Accountant

Other duties

Supervisor of China Tobacco Machinery Group Co., Ltd., China Tobacco International Inc. and China Tobacco Magazine House Co., Ltd. Director of Nantong Cellulose Fibers Co., Ltd., Zhuhai Cellulose Fibers Co., Ltd. and Kunming Cellulose Fibers Co., Ltd.

Experience

Mr. Chen served as Director and Deputy Director of the Finance and Asset Department of China Tobacco Machinery Group Co., Ltd.

Mr. Luo Xiaopeng Non-executive Director

Main duties

Non-executive Director of the Bank since August 2022.
President of the Capital Operation Department of the Capital Airport Group Co., Ltd., a substantial shareholder of the Bank.

Educational background and professional qualification

Obtained Master's degree in Finance from Jiangxi University of Finance and Economics in 2003.
Senior Accountant

Other duties

Mr. Chen serves as the director of Tianjin Binhai International Airport Co., Ltd, Jilin Civil Aviation Airport Group Co., Ltd and Jiangxi Airport Group Co., Ltd.

Experience

Mr. Luo served as the Chief Financial Officer of Inner Mongolia Civil Aviation Airport Group Co., Ltd, the general manager of the finance department of Beijing Capital International Airport Co., Ltd.

Mr. Cai Haoyi Independent Non-executive Director

Main duties

Independent Non-executive Director of the Bank since August 2018.

Educational background and professional qualification

Obtained Doctoral degree in Economics from the Financial Research Institute of the People's Bank of China in 2001.

Researcher

Mr. Cai enjoyed special government allowances of the State Council.

Experience

Mr. Cai served as Chairman of the Board of Supervisors in China Everbright Bank and Non-executive Director in Bank of China. Mr. Cai held various positions in PBOC, including Secretary General of the Monetary Policy Committee, Deputy Head of the Research Bureau, Deputy Head of the Financial Research Institute, and Deputy Director, Division Chief and Deputy Division Chief of the Graduate Department of the Financial Research Institute.

Mr. Shi Lei Independent Non-executive Director

Main duties

Independent Non-executive Director of the Bank since December 2019.
Professor and Doctoral Supervisor of the School of Economics of Fudan University, and Head of the Public Economic Research Centre of Fudan University.

Educational background and professional qualification

Obtained Doctoral degree from the Institute of Economics at Shanghai Academy of Social Sciences in 1993.
Enjoyed special government allowances of the State Council.

Other Duties

Mr. Shi serves as Independent Non-executive Director of Hangzhou Meideng Technology Co., Ltd.

Experience

Mr. Shi served as Director of the China Centre for Economic Studies of Fudan University, and Independent Non-executive Director of Ko Yo Chemical (Group) Limited and Sanxiang Impression Co., Ltd.

Mr. Zhang Xiangdong Independent Non-executive Director

Main duties

Independent Non-executive Director of the Bank since August 2020.

Educational background and professional qualification

Obtained Master's degree in Law from Renmin University of China in 1990.
Senior Economist

Experience

Mr. Zhang served as Non-executive Director of Bank of China Limited, Non-executive Director and Chairman of the Risk Management Committee of the Board of Directors of China Construction Bank Corporation (during which period Mr. Zhang concurrently served as member of the China International Economic and Trade Arbitration Commission). Mr. Zhang also served as Inspector and Deputy Director General of the General Affairs Department of the State Administration of Foreign Exchange. He served as Executive Vice President of Haikou Branch of the People's Bank of China and Deputy Director General of Hainan Branch of the State Administration of Foreign Exchange concurrently. Mr. Zhang concurrently served as Member of the Issuance Approval Committee of China Securities Regulatory Commission.

CORPORATE GOVERNANCE

Ms. Li Xiaohui Independent Non-executive Director

Main duties

Independent Non-executive Director of the Bank since November 2020. Professor and Doctoral Supervisor at the School of Accounting, Central University of Finance and Economics.

Educational background and professional qualification

Obtained Doctoral degree in Economics from Central University of Finance and Economics in 2001.
Certified Public Accountant

Other duties

Independent Non-executive Director of Fangda Special Steel Technology Co., Ltd., State Grid Information and Communication Co., Ltd., Poly Culture Group Co., Ltd, and BBMG Corporation. External Supervisor of Bank of Beijing Co., Ltd. Member of the Professional Technical Advisory Committee of the Chinese Institute of Certified Public Accountants. Member of the Audit Committee of the Accounting Society of China. Member of the Audit Standards Committee of the China Internal Audit Association.

Experience

Ms. Li worked in the Professional Standards Department of the Chinese Institute of Certified Public Accountants. Ms. Li worked successively in Cangzhou Accounting Firm, Cangshi Accounting Firm and the State-owned Assets Administration under Hebei Province Department of Finance. Ms. Li previously served as Independent Director of Fangda Carbon New Material Co., Ltd., Bank of Beijing Co., Ltd., Camel Group Co., Ltd., Jizhong Energy Resources Co., Ltd., Kailuan Energy Chemical Co., Ltd. and China U-Ton Holdings Limited.

Mr. Ma Jun Independent Non-executive Director

Main duties

Independent Non-executive Director of the Bank since August 2022. President of the Institute of Finance and Sustainability.

Educational background and professional qualification

Obtained Ph.D. in Economics from Georgetown University in 1994.

Other duties

Mr Ma serves as Independent Director of China Taiping Life Insurance (Hong Kong), Independent Director of Postal Savings Bank of China Ubank, Director of the Green Finance Committee of China Society for Finance, Co-Chairman of the Steering Committee of the "Belt and Road" Green Investment Principles, President of the Beijing Green Finance Association (Beijing Emissions Trading Association), Chairman of the Hong Kong Green Finance Association.

Experience

Mr. Ma served as a member of the Monetary Policy Committee of the People's Bank of China, Co-Chairman of the G20 Sustainable Finance Working Group, Director of the Center for Finance and Development under Tsinghua National Institute of Financial Research, Chief Economist of the Research Bureau of the People's Bank of China, Chief Economist, Investment Strategist and Managing Director of Deutsche Bank Greater China, Senior Economist at the World Bank, Economist at the International Monetary Fund, and also worked at the Development Research Center of the State Council.

Mr. Wong Tin Chak Independent Non-executive Director

Main duties

Independent Non-executive Director of the Bank since October 2023.

Educational background and professional qualification

Obtained Bachelor of Social Science degree from the University of Hong Kong in 1988.
Member of the Institute of Chartered Accountants in England and Wales

Other duties

Chief Partner of Shanghai De Koon Tian Yu Management Consulting Partnership (Limited Partnership), Member of the Digital Economy Strategy Committee of the China Society for Development Strategy Research

Experience

Mr. Wong Tin Chak was the Chief Commercial Officer, Partner-in-Charge of Risk Advisory and Member of Management Committee of Deloitte China, Member of Risk Advisory Management Committee of Deloitte Asia Pacific, Associate Partner-in-Charge of Audit and Assurance, Partner of Deloitte Touche Tohmatsu, and Partner of Deloitte Touche Tohmatsu.

Mr. Xu Jiming **Chairman of the Board of Supervisors and Shareholder Supervisor**

Main duties

Chairman of the Board of Supervisors and Shareholder Supervisor of the Bank since October 2021.

Chairman of the Bank's Labour Union

Educational background and professional qualification

Obtained Doctoral degree in EHESS (École des hautes études en sciences socials) in 1995.

Senior Auditor

Other duties

Standing committee member of the 14th Shanghai Committee of the Chinese People's Political Consultative Conference

Experience

Mr. Xu served as the Standing committee member of the 13th Shanghai Committee of the Chinese People's Political Consultative Conference. Mr. Xu served as Head of the Discipline Inspection and Supervision Group, and Head of the Discipline Inspection Group of the Party Leadership Group. Mr. Xu also held various positions in the National Audit Office, including Director of the General Office, Director of the Department of Administration Institutions Audit, Director of the Department of Foreign Funds Application Audit, Director of the Audit Cadre Training Centre, Director and Deputy Director of the Audit Bureau of Health and Drugs, Deputy Director of the Department of Foreign Funds Application Audit, Assistant to the Special Commissioner of Kunming Resident Office (Division Chief Level), Division Chief of the First Division of the Department of Foreign Funds Application Audit, Division Chief of the Comprehensive Division of the Department of Foreign Funds Application Audit, and Deputy Division Auditor of the Second Division of the Department of Foreign Funds Application Audit.

Mr. Wang Xueqing **Shareholder Supervisor**

Main duties

Shareholder Supervisor of the Bank since June 2017.

Deputy General Manager of Daqing Oilfield Co., Ltd. (Daqing Petroleum Administration Bureau), a substantial shareholder of the Bank.

Educational background and professional qualification

Obtained Master's degree in Accounting from Tianjin University of Finance and Economics in 2002.

Professoriate Senior Accountant

Other duties

Chairman of the Board of Directors of Daqing Petroleum (Hong Kong) Co. Ltd., Chairman of the Board of Directors of Daqing Energy (Hong Kong) Co. Ltd., Director of DPS Indonesia Co. Ltd., Director of China Petroleum Halfaya Co., Ltd., and Executive Vice President of the Sixth Council of China Association of Plant Engineering.

Experience

Mr. Wang served as Director of the Finance Department, Director of Financial Assets of the First Department, Director and First Deputy Director of the Accounting Department (Centre) of the Financial Assets Department in Daqing Oilfield Company. Mr. Wang concurrently served as Chairman of the Board of Supervisors of PT INDOSPEC ENERGY, Director of Qingdao Qingxin Plastic Co., Ltd. and Chairman of the Board of Supervisors of Daqing Oilfield Powerlift Pump Industry Co., Ltd.

Mr. Li Yao **External Supervisor**

Main duties

External Supervisor of the Bank since October 2017.

Professor and Chairman of the Professor Committee of the School of Finance, Shanghai University of Finance and Economics.

Educational background and professional qualification

Obtained Doctoral degree in Economics from East China Normal University in 1998.

Experience

Mr. Li served as Executive Vice President of the School of Finance, Shanghai University of Finance and Economics. During the period, Mr. Li also served as Visiting Professor in the Sino-US Fulbright Scholar Program at Boston College. Mr. Li was appointed as Visiting Professor of CSC Scholarship Youth Cultivation Program in the Centre for Management Buy-Out & Private Equity Research of Nottingham University Business School. Mr. Li served as Vice Professor in the Canada-China Scholars Exchange Programme (CCSEP) of Rotman School of Management at the University of Toronto.

CORPORATE GOVERNANCE

Mr. Chen Hanwen External Supervisor

Main duties

External Supervisor of the Bank since June 2019.

Professor of Nanjing Audit University.

Educational background and professional qualification

Obtained Doctoral degree in Economics from Xiamen University in 1997.

Other duties

Professor, Doctoral Supervisor and contact of the Postdoctoral Research Station of University of International Business and Economics. Chair Professor of China Business Executives Academy, Dalian. Co-editor in Chief of China Journal of Accounting Studies (publication of the Accounting Society of China). Member of Editorial Board of Auditing Research (publication of the China Audit Society). Member of the Senior Professional Rank Evaluation Committee of the National Audit Office. Member of the Specialised Guidance Committee of the Chinese Institute of Certified Public Accountant. Executive Council Member of the China Audit Society. Independent Non-executive Director of China Shenhua Energy Company Limited, Beijing Tri-Prime Gene Pharmaceutical Co., Ltd., and Shenwan Hongyuan Group Co., Ltd.

Experience

Mr. Chen held various positions in Xiamen University, including Executive Vice President of the School of Management, Executive Vice President of the Graduate School, Director of the Accounting Department and Secretary-General of the Academic Committee. Mr. Chen was Independent Director of Dalian Wanda Commercial Management Group Co., Ltd., Shanghai Fuiou Payment service limited company, Xiamen Bank Co., Ltd. and Xiamen International Bank in the past three years.

Mr. Su Zhi External Supervisor

Main duties

External Supervisor of the Bank since June 2022.

Special Appointed Professor of “Longma Scholars”, the Double Appointed Professor and the Tutor for Doctoral Students of the School of Statistics and Mathematics and the School of Finance, as well as the first Chief Dean of the Department of Financial Technology at Central University of Finance and Economics.

Educational background and professional qualification

Obtained Doctoral degree in Quantitative Economics from Jinlin University in 2006.

Other duties

Executive Director of Central University of Finance and Economics & University of Electronic Science and Technology of China Joint Research Data Center. Deputy Director of the Academic Committee of Institute of International Technology Development of Research Center of the State Council of China. Professional Consultant in Financial Technology of Beijing Xicheng District Government; the Special Appointed Expert of “Sci-Tech Finance Expert Think Tank” of Beijing Haidian District Financial Services Office; the Special Researcher of the International Monetary Institute of Renmin University of China, the Special Appointed Professor of the Business Model Innovation Center of Tsinghua University School of Economics and Management; the Senior External Expert of Centralized Procurement Management Committee of Industrial and Commercial Bank of China; the Guiding Expert of Postdoctoral Fellow of Shenzhen Stock Exchange; the Co-Tutor of Postdoctoral Fellow of JD Finance; the Supervisor of Bank of Guizhou Co., Ltd.; as well as the Independent Directors of Shanghai Haohai Biological Technology Co., Ltd., Fujian Start Group Co., Ltd. and Changzhou Kaneken Steel Section Co., Ltd.

Mr. Guan Xingshe Employee Supervisor

Main duties

Employee Supervisor of the Bank since October 2018.

Head of the Office of the Board of Supervisors of the Bank.

Educational background and professional qualification

Obtained Master’s degree in Economics from Xiamen University in 1999.

Senior Auditor

Experience

Mr. Guan served as the General Manager of the General Affairs Department of the Bank, during the period he concurrently served as Executive Director and Chief Executive Officer of Shanghai Jiaoyin Service Corp., Executive Vice President of the Henan Branch (Zhengzhou) and Senior Credit Executive, serving the Bank for 29 years.

Ms. Lin Zhihong **Employee Supervisor**

Main duties

Employee Supervisor of the Bank since December 2020.
Head of the Audit and Supervision Bureau of the Bank.
Supervisor of BOCOM Financial Asset Investment Co., Ltd.

Educational background and professional qualification

Obtained EMBA degree from Shanghai University of Finance and Economics in 2010.
Intermediate Accountant

Experience

Ms. Lin served as Non-executive Director of BOCOM International Holdings Co., General Manager of the Financial Service Centre (Business Operation Department) of the Head Office, General Manager of the Budget and Finance Department (Data and Information Management Centre), General Manager, Deputy General Manager and Senior Budget Manager of the Budget and Finance Department, serving the Bank for 33 years.

Ms. Feng Bing **Employee Supervisor**

Main duties

Employee Supervisor of the Bank since December 2020.
Deputy General Manager, Integrity Commissioner and Senior Expert of the Bank's Singapore Branch

Educational background and professional qualification

Obtained Master's degree in National Economics from University of Shanghai for Science and Technology in 2000.
Senior Economist

Other duties

Executive Director of the Seventh National Council of China Financial Sports Association. Member of the Presidium of the Second National Committee of China Financial Literature and Art Festival Federation.

Experience

Ms. Feng served as the Director of the Office of Labour Union, Executive Vice President of Labour Union, Secretary of Youth League Committee, President of Labour Union of the Head Office, Deputy Director of Organisation Department, and the Deputy Senior Manager of Performance Management of the Human Resource Department of the Bank's Head Office, serving the Bank for 23 years.

Ms. Po Ying **Employee Supervisor**

Main duties

Employee Supervisor of the Bank since November 2021.
Head of Sub-bureaus of Audit Supervision of the Bank.
Chairman of the Board of Supervisors of Bank of Communications International Trust Co., Ltd.

Educational background and professional qualification

Obtained Master's degree in Economics from Southwestern University of Finance and Economics in 1996.
Senior Accountant

Experience

Ms. Po was the General Manager of the Equity and Investment Management Department and the General Manager of the Strategic Investment Department of the Bank's Head Office, the non-executive director of BOCOM International Holdings Company Limited, a non-executive director of BOCOM Financial Leasing Limited, a non-executive director of Banco BoCom BBM S.A., the Deputy General Manager of the Budget and Finance Department (Data and Information Management Centre) of the Bank's Head Office, and the Vice President of Suzhou Branch, and has served the Bank for 27 years.

CORPORATE GOVERNANCE

Mr. Huang Hongyuan Executive Vice President

Main duties

Executive Vice President of the Bank since December 2022.

Educational background and professional qualification

Obtained Master's degree in Finance from Imperial College London in 2001, Ph.D.in Economics from the School of Finance of Renmin University of China in 2000, Master' s degree in Finance from the PBC School of Finance, Tsinghua University in 1992 and Bachelor's degree in Electronic Engineering from Shanghai Jiaotong University in 1986.

Experience

Mr. Huang served as the Chairman, General Manager and Deputy General Manager of the Board of Governors of Shanghai Stock Exchange; Director of Institutional Supervision Department and Director of Risk Control Office of Securities Companies under China Securities Regulatory Commission, Deputy Director of Shanghai Regulatory Bureau under China Securities Regulatory Commission, and Commissioner of Shanghai Securities Regulatory Commissioner's Office, Deputy Director of Shanghai Securities Regulatory Office, Member of Planning and Development Committee under China Securities Regulatory Commission, Deputy Director of Fund Supervision Department under China Securities Regulatory Commission, Chief of Overseas Listing Division of Overseas International Business Department under China Securities Regulatory Commission, Deputy Chief of Overseas Listing Division of Overseas Listing Department under China Securities Regulatory Commission.

Mr. Hao Cheng Executive Vice President

Main duties

Executive Vice President of the Bank since March 2021.
Concurrently been Chairman of the Board of Directors and Non-executive Director of the Bank of Communications (Hong Kong) Limited since February 2023.

Educational background and professional qualification

Obtained Doctoral degree in Management from Beijing Jiaotong University in 2009.
Senior Engineer

Experience

Mr. Hao served as President of Jilin Branch of China Development Bank, Deputy Director of the Personnel Bureau of the Head Office, and Executive Vice President of Tianjin Branch.

Mr. Qian Bin Executive Vice President and Chief Information Officer

Main duties

Executive Vice President of the Bank since July 2021.
Chief Information Officer of the Bank since October 2022.

Educational background and professional qualification

Obtained MBA degree of the cooperative cultivation programme between Fudan University and the University of Hong Kong in 2004.
Senior Engineer

Experience

Mr. Qian served as General Manager and Principal Officer of the Network Finance Department, General Manager of the Data Centre (Shanghai), Deputy General Manager of the Private Banking Department, Deputy General Manager of the Information Technology Department, and General Manager of the Information Technology Department and Director of the Technology Assurance Centre of the Shanghai Branch of the Industrial and Commercial Bank of China.

Mr. He Zhaobin Secretary of the Board of Directors

Main duties

Secretary of the Board of the Director of the Bank since June 2023.

Non-executive Director of the Bank from August 2017 to January 2021.

Educational background and professional qualification

Obtained Master's degree in Public Administration from Peking University and the National School of Administration in 2007.

Certified Public Accountant, Senior Economist

Experience

Mr. He served as Deputy Director of the National Office for Comprehensive Agricultural Development, Deputy Director of the Office of the State Council Working Group on Comprehensive Rural Reform, and Deputy Director of the Supervision and Inspection Bureau of the Ministry of Finance.

Mr. Tu Hong Chief Business Officer (Interbank and Market Business)

Main duties

Chief Business Officer (Interbank and Market Business) since September 2018.

Concurrently been the President of the Shanghai Branch since April 2022.

Educational background and professional qualification

Obtained Master's degree in Economics from Fudan University in 1998.

Experience

Mr. Tu served as Chairman of the Board of BOCOM Wealth Management Co., Ltd., Directors of the General Manager of the Financial Institution Department of the Bank's Head Office, during which period he concurrently served as Chief Executive Officer of the Asset Management Business Centre, Chief Executive Officer of the Financial Market Business Centre, Chief Executive Officer of the Financial Market Business Centre/Precious Metal Business Centre, General Manager of the Global Markets Department (Precious Metals Center), General Manager of the New York Branch, Deputy General Manager of the International Banking Department of the Bank's Head Office, Executive Vice President of the Guangzhou Branch, serving the Bank for 34 years.

Mr. Lin Hua Chief Business Officer (Retail and Private Business)

Main duties

Chief Business Officer (Retail and Private Business) since June 2023

Educational background and professional qualification

Obtained MBA degree from Shanghai University of Finance and Economics in 2004.

Senior Economist

Experience

Mr. Lin was the Chief Risk Officer, General Manager of the Risk Management Department and Director of the Internal Control and Case Prevention Office of the Bank, President of the Jiangsu Branch, President and Executive Vice President of the Jiangxi Branch (performing the duties of the President on behalf of the President), Executive Vice President of the Shanghai Branch, Senior Credit Executive Officer, etc. Mr. Lin has been serving the Bank for 35 years.

Mr. Liu Jianjun Chief Risk Officer

Main duties

Chief Risk Officer since June 2023

General Manager of the Risk Management Department of the Bank since June 2023

Educational background and professional qualification

Obtained Master's degree in Business Administration from Beijing Institute of Technology in 2003.

Intermediate Economist

Experience

Mr. Liu was the Chief Expert of the Bank, Director of the Internal Control and Case Prevention Office, President of the Beijing Branch, President of the Beijing Management Department (Group Client Department), Executive Vice President of the Beijing Management Department (Group Client Department), President, Executive Vice President and Senior Credit Executive Officer of the Jilin Branch, Executive Vice President and Senior Credit Executive Officer of the Changchun Branch, Executive Vice President and Senior Credit Executive Officer of the Beijing Branch, etc. Mr. Liu has been serving the Bank for 35 years.

CORPORATE GOVERNANCE

Mr. Wang Wenjin **Chief Business Officer (Corporate and Institutional Business)**

Main duties

Chief Business Officer (Corporate and Institutional Business) since June 2023.

Vice President of the Management Headquarters for the Integrated Development of Yangtze River Delta since July 2020.

General Manager of the Corporate and Institutional Banking Department of the Bank since October 2019.

Educational background and professional qualification

Obtained Master's degree in management from Hunan University in 2008.

Experience

Mr. Wang was the General Manager of the Aging Finance Department of the Bank. Mr. Wang was the President and Executive Vice President of the Fujian Branch of the Bank, Executive Vice President and Senior Credit Executive of the Hunan Branch of the Bank, and served the Bank for 29 years.

Mr. Cho Kwok Hung **BoCom-HSBC Strategic Cooperation Consultant**

Main duties

BoCom-HSBC Strategic Cooperation Consultant since April 2023.

Educational background and professional qualification

Obtained MBA degree from the City University of Hong Kong in 1996.

Experience

Mr. Cao was the Chief Risk Control Officer of Hang Seng Bank (China) Ltd., risk management consultant assigned by HSBC to the Bank (as an expatriate employee of HSBC), President of HSBC Shanghai Branch, Director of Credit Risk Training of HSBC (China), Director of Commercial Banking School of HSBC Asia Pacific, Director of Corporate Banking Training Department of HSBC Asia Pacific, Senior Training Manager (Credit Risk) and Deputy Department Head of HSBC Asia Pacific.

(I) Changes in Directors, Supervisors and Senior Management

1. *Newly elected/appointed Directors, Supervisors and Senior Management*

Name	Position	Change
Yin Jiuyong	Executive Director	Elected
Zhou Wanfu	Executive Director	Elected
Wong Tin Chak	Independent Non-executive Director	Elected
He Zhaobin	Secretary of the Board of Directors	Appointed
Lin Hua	Chief Business Officer (Retail and Private Business)	Appointed
Liu Jianjun	Chief Risk Officer	Appointed
Wang Wenjin	Chief Business Officer (Corporate and Institutional Business)	Appointed
Cho Kwok Hung	BoCom-HSBC Strategic Cooperation Consultant	Appointed

Note: Mr. Yin Jiuyong and Mr. Zhou Wanfu have been appointed as Executive Directors of the Bank since 8 February 2024 with the approval of the NAFR. Each of Mr. Yin Jiuyong and Mr. Zhou Wanfu confirms that he has obtained the legal opinion referred to in Rule 3.09D of the Hong Kong Listing Rules on 8 February 2024 and is aware of his obligations as a director of the Bank.

2. *Resigned/Retired Directors, Supervisors and Senior Management*

Name	Ex-position	Change	Beginning and ending dates of term
Woo Chin Wan, Raymond	Ex-Independent Non-executive Director	Retired (Expiration of term)	November 2017-October 2023
Gu Sheng	Ex-Secretary of the Board of Directors	Retired (Retirement)	July 2018-February 2023
Ng Siu On	Ex-BoCom-HSBC Strategic Cooperation Consultant	Retired (Retirement)	March 2013-March 2023

The current directors, supervisors and senior managers of the Bank and those who left during the Reporting Period have not been punished by the securities regulatory authority in the past three years.

(II) Changes in Information of Directors, Supervisors and Senior Management

Mr. Liao, Yi Chien David, Non-executive Director, serves as the Chairman of HSBC Bank (China) Company Limited. Mr. Chan Siu Chung, Non-executive Director, serves as an advisor to the Co-Chief Executive Officers of HSBC and ceased to be the Head of HSBC's Capital Markets Greater China business. Mr. Mu Guoxin, Non-executive Director, serves as a Non-executive Director of China CITIC Limited, a Non-Independent Director of COFCO Fulinmen Company Limited, and ceased to be a Director of Jianxin Life Insurance Company Limited. Mr. Luo Xiaopeng, Non-executive Director, was qualified as a Certified Public Accountant in the PRC. Mr. Shi Lei, Independent Non-executive Director, serves as the Independent Director of Shanghai Univision Bio-technology Co. Ms. Li Xiaohui, Independent Non-executive Director, ceased to be an Independent Director of BBMG Group Corporation and State Grid Information and Communication Co.

Mr. Xu Jiming, Chairman of the Board of Supervisors and Shareholder Supervisor, ceased to be an executive member of the 13th Shanghai Committee of the Chinese People's Political Consultative Conference (CPPCC) due to the general election of the CPPCC in Shanghai and became an executive member of the 14th Shanghai Committee of the CPPCC; and served as the Chairman of the Labour Union of the Bank. Mr. Wang Xueqing, Shareholder Supervisor, was appointed as Executive Deputy General Manager of Daqing Oilfield Company Limited (Daqing Petroleum Administration Co., Ltd.) and ceased to be Chief Accountant of Daqing Oilfield Company Limited (Daqing Petroleum Administration Co., Ltd.). Mr. Chen Hanwen, an External Supervisor, ceased to be an Independent Director of Dalian Wanda Commercial Management Group Co., Ltd. and an Independent Director of Shanghai Fuyou Payment Service Co. Ms. Feng Bing, Employee Supervisor, ceased to be the Executive Vice Chairman of the Labour Union of the Bank and the Chairman of the Labour Union of the Head Office of the Bank, and assumed the position of Deputy General Manager of the Bank's Singapore Branch, Independent Commission Against Corruption Commissioner and Senior Specialist. Ms. Po Ying, Employee Supervisor, ceased to be a Non-executive Director of BOCOM International Holdings Limited.

Mr. Lin Hua ceased to be the Chief Risk Officer, the General Manager of the Risk Management Department and the Director of the Internal Control and Case Prevention Office of the Bank and became the Chief Business Officer (Retail and Private Business) of the Bank. Mr. Liu Jianjun, Chief Risk Officer, ceased to be the Director of the Bank's Internal Control and Case Prevention Office.

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(III) Emoluments and Shareholdings of Directors, Supervisors and Senior Management

1. Details of emoluments and shareholdings

Name	Position	Total taxable emoluments received during the Reporting Period (in RMB0'000)			Emoluments received from related parties or not	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
		Emoluments	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing allowances	Total						
Ren Deqi	Chairman of the Board of Directors and Executive Director	67.26	26.67	93.93	No	A share	0	0	0	–
						H share	400,000	0	400,000	–
Liu Jun	Vice Chairman of the Board of Directors, Executive Director and President	67.26	25.46	92.72	No	A share	0	0	0	–
						H share	0	0	0	–
Yin Jiuyong	Executive Director and Executive Vice President	60.53	25.46	85.99	No	A Share	0	0	0	–
						H Share	0	0	0	–
Zhou Wanfu	Executive Director and Executive Vice President	60.53	25.46	85.99	No	A Share	0	0	0	–
						H Share	0	0	0	–
Li Longcheng	Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–
Wang Linping	Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–
Chang Baosheng	Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–
Liao, Yi Chien David	Non-executive Director	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–
Chan Siu Chung	Non-executive Director	–	–	–	Yes	A Share	0	0	0	–
						H Share	49,357	0	49,357	–
Mu Guoxin	Non-executive Director	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–
Chen Junkui	Non-executive Director	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–
Luo Xiaopeng	Non-executive Director	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–

Name	Position	Total taxable emoluments received during the Reporting Period (in RMB0'000) Emoluments	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing allowances	Total	Emoluments received from related parties or not	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
Cai Haoyi	Independent Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–
Shi Lei	Independent Non-executive Director	31	–	31	No	A Share	0	0	0	–
						H Share	0	0	0	–
Zhang Xiangdong	Independent Non-executive Director	–	–	–	No	A Share	0	0	0	–
						H Share	0	0	0	–
Li Xiaohui	Independent Non-executive Director	33	–	33	No	A Share	0	0	0	–
						H Share	0	0	0	–
Ma Jun	Independent Non-executive Director	31	–	31	No	A Share	0	0	0	–
						H Share	0	0	0	–
Wong Tin Chak	Independent Non-executive Director	7.75	–	7.75	No	A Share	0	0	0	–
						H Share	0	0	0	–
Xu Jiming	Chairman of the Board of Supervisors and Shareholder Supervisor	67.26	25.46	92.72	No	A Share	0	0	0	–
						H Share	0	0	0	–
Wang Xueqing	Shareholder Supervisor	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–
Li Yao	External Supervisor	28	–	28	No	A Share	0	0	0	–
						H Share	0	0	0	–
Chen Hanwen	External Supervisor	28	–	28	No	A Share	0	0	0	–
						H Share	0	0	0	–
Su Zhi	External Supervisor	26	–	26	No	A Share	0	0	0	–
						H Share	0	0	0	–
Guan Xingshe	Employee Supervisor	104.04	24.98	129.02	No	A Share	100,000	0	100,000	–
						H Share	0	0	0	–
Lin Zhihong	Employee Supervisor	104.04	24.98	129.02	No	A Share	40,000	60,000	100,000	Purchased from secondary market
						H Share	0	0	0	–

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Name	Position	Total taxable emoluments received during the Reporting Period (in RMB0'000): Emoluments	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing allowances	Total	Emoluments received from related parties or not	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
Feng Bing	Employee Supervisor	81.59	24.98	106.57	No	A Share	0	0	0	–
						H Share	0	0	0	–
Po Ying	Employee Supervisor	103.44	25.63	129.07	No	A Share	135,044	0	135,044	–
						H Share	0	0	0	–
Huang Hongyuan	Executive Vice President	60.53	26.67	87.20	No	A Share	0	0	0	–
						H Share	0	0	0	–
Hao Cheng	Executive Vice President	60.53	25.46	85.99	No	A Share	0	0	0	–
						H Share	0	0	0	–
Qian Bin	Executive Vice President and Chief Information Officer	60.53	26.67	87.20	No	A Share	0	0	0	–
						H Share	0	0	0	–
He Zhaobin	Secretary of the Board of Directors	55.50	13.71	69.21	No	A Share	96,700	0	96,700	–
						H Share	0	0	0	–
Tu Hong	Chief Business Officer (Interbank and Market Business)	111.00	26.51	137.51	No	A Share	0	70,000	70,000	Purchased from secondary market
						H Share	50,000	0	50,000	–
Lin Hua	Chief Business Officer (Retail and Private Business)	111.00	26.51	137.51	No	A Share	132,100	70,000	202,100	Purchased from secondary market
						H Share	0	0	0	–
Liu Jianjun	Chief Risk Officer	55.50	13.43	68.93	No	A Share	220,000	0	220,000	–
						H Share	0	0	0	–
Wang Wenjin	Chief Business Officer (Corporate and Institutional Business)	55.50	13.71	69.21	No	A Share	104,500	0	104,500	–
						H Share	0	0	0	–
Cho Kwok Hung	BoCom-HSBC Strategic Cooperation Consultant	–	–	–	Yes	A Share	0	0	0	–
						H Share	0	0	0	–

Name	Position	Total taxable emoluments received during the Reporting Period (in RMB0'000) Emoluments	Employer's contribution to social insurances, enterprise annuity, supplemental medical insurance and housing allowances	Total	Emoluments received from related parties or not	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
Resigned/Retired Directors, Supervisors and Senior Management										
Woo Chin Wan, Raymond	Ex-Independent Non-executive Director	23.25	–	23.25	No	A Share	0	0	0	–
						H Share	0	0	0	–
Gu Sheng	Ex – Secretary of the Board of Directors	8.33	2.14	10.47	No	A Share	66,100	0	66,100	–
						H Share	21,000	0	21,000	–
Ng Siu On	Ex-BoCom-HSBC Strategic Cooperation Consultant	–	–	–	Yes	A Share	0	0	0	–
						H Share	30,000	0	30,000	–

Notes:
1. Mr. Guan Xingshe, Ms. Lin Zhihong and Ms. Po Ying bought 60,000 A shares of the Bank in January 2024.
2. In 2023, the remuneration of the Bank's Directors, Supervisors and Senior Management managed by the Central Government will be implemented in accordance with the relevant measures for the remuneration management of the heads of central financial enterprises. In accordance with the relevant regulations, the final remuneration of the Bank's Directors, Supervisors and Senior Management for 2023 is in the process of being confirmed, and the remainder will be disclosed upon confirmation.
3. The Independent Non-executive Director do not receive remuneration from the Bank's related parties (excluding those related parties with whom the Bank has a relationship because the Independent Non-executive Director also serve as directors and senior management in other companies).
4. Employee supervisors receive remuneration for their positions in their capacity as employees and do not receive remuneration in their capacity as employee supervisors.
5. In this table, the total pre-tax remuneration received by all Directors, Supervisors and Senior Management personnel (excluding resigned/retired Directors, Supervisors and Senior Management) during the Reporting Period was 18.7254 million.

Additionally, Mr. Chan Siu Chung, Director of the Bank, held 98 H shares of BOCOM International Holdings Co., Ltd. Save as disclosed above, as at the end of the Reporting Period, none of the Bank's directors, supervisors or chief executives had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 which were required to be recorded in the register as kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Bank and the Hong Kong Stock Exchange.

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2. Remuneration decision-making process and the deciding factors

The remuneration plan for Directors and Senior Management was drafted by Personnel & Remuneration Committee and was submitted to the Board of Directors for review. Furthermore, the Directors' remuneration was required to be submitted to the Shareholders' General Meeting for review and approval. Supervisors' remuneration plan was submitted to the Board of Supervisors for review by Nomination and Remuneration Committee of the Board of Supervisors. After the review by the Board of Supervisors, such plan was submitted to the Shareholders' General Meeting for final review and approval.

The remuneration of the Bank's Directors, Supervisors and Senior Management is determined in accordance with the relevant state regulations and the Bank's appraisal and allocation scheme for Senior Management. For the Bank's Directors, Supervisors and Senior Management personnel managed by the central government, the remuneration was strictly determined in accordance with central financial enterprise remuneration measurement specifications for person in charge. For the Bank's Senior Management who were not managed by the central government but receiving remuneration from the Bank, the remuneration consisted of the basic annual salary, annual performance bonus and other benefits. In order to balance the incentives and risk constraints, certain portion of the annual performance bonus was subject to deferred payment in the next three years, which was supposed to be paid by 1/3 each year.

VIII HUMAN RESOURCE

(I) Basic information of Employees

As at the end of the Reporting Period, the Group had a total of 94,275 employees, among which 87,810 employees were based in domestic banking institutions and 2,587 were local employees in overseas branches (sub-branches), and 3,878 were employees of the Bank's subsidiaries (excluding staff dispatched from the Head Office and branches to subsidiaries). The number of retired employees that the Bank had obligation to bear the cost to was 2,337. Among the employees of the Group, 44.98% were male and 55.02% were female. The Bank adhered to equal employment opportunity and equal pay for equal work, as well as paying attention to protect the rights of female employees and eliminating discrimination of any act.

For employees in domestic banking institutions, 27,884 employees held professional technical qualifications, of which 585 employees held senior technical qualifications, accounting for approximately 0.67%. 14,660 employees held intermediate technical qualifications, accounting for 16.70%, 12,639 employees held junior technical qualifications, accounting for 14.39%. The number of employees with master's degree and above was 15,981, accounting for 18.20%. The number of employees with bachelor's degree was 62,856, accounting for 71.58%. The number of employees with associate's degree and below was 8,973, accounting for 10.22%.

Structure of position categories of domestic employees

Category of position	Number of employees	Proportion (%)
Sales Development	30,011	34.18
Financial Operation	24,034	27.37
Operating and Management	7,759	8.84
Service Assurance	6,008	6.84
Risk Compliance	5,659	6.44
FinTech	7,179	8.18
Audit and Supervision	1,456	1.66
Others	5,704	6.50
Total	87,810	100.00

Note: FinTech headcount includes the personnel of FinTech Department and various personnel from different business departments empowering the business with science and technology.

Assets, entities and employees by regions as at the end of the Reporting Period

	Assets		Entities		Employees	
	Amount (in millions of RMB)	Proportion (%)	Number of entities	Proportion (%)	Number of employees	Proportion (%)
Yangtze River Delta	3,581,356	25.47	705	24.29	25,320	28.01
Pearl River Delta	1,280,694	9.11	323	11.13	9,788	10.83
Bohai Rim Economic Zone	2,097,935	14.92	481	16.57	13,719	15.18
Central China	1,498,173	10.66	518	17.84	14,291	15.81
Western China	1,025,178	7.29	480	16.53	11,591	12.82
North Eastern China	471,772	3.36	326	11.23	8,372	9.26
Overseas	1,204,469	8.57	69	2.38	2,587	2.86
Head Office	5,486,713	39.02	1	0.03	4,729	5.23
Eliminated and unallocated assets	(2,585,818)	(18.40)	–	–	–	–
Total	14,060,472	100.00	2,903	100.00	90,397	100.00

Note: The number of employees in the Head Office excluded the employees in the Pacific Credit Card Centre, the financial service centres/ business operation department and the staff dispatched from the Head Office.

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(II) Remuneration Policy

The Bank's remuneration allocation is based on the principle of risk-adjusted returns, focusing on the positive correlation between resource allocation and value creation, taking into account fairness and efficiency, so as to drive the high-quality development of the Bank. The Bank's remuneration program for 2023 was formulated in compliance with the relevant laws, regulations and regulatory requirements, and strictly complied with the internal decision-making process and corporate governance procedures, and was filed with the relevant competent authorities in accordance with the regulations. During the Reporting Period, the Bank's economic, risk and social responsibility indicators were well achieved.

In response to the reform and development requirements, the Bank improved the performance appraisal and remuneration system whereby "salary is determined by post and bonus granted upon performance". The Bank adhered to consistency of value creation with fairness, optimised the allocation of remuneration resources, guided and maximised value creation of operating units, and improved capabilities of pursuing high-quality development. Besides, the Bank insisted on responsibility orientation, grass-root orientation and performance orientation, and focused on positive incentives. In order to improve the incentive constraint mechanism and give full play to the guiding role of remuneration in the operation and management, the Bank formulated and improved the Administrative Measures on Deferred Payment, Recourse and Deduction of Performance Wages for Bank of Communications Co., Ltd (the "**Administrative Measures**"). The Bank also established a deferred payment, recourse and deduction system for performance wages of Senior Management and personnel in key positions within the Group, and deferred the payment of over 40% of their performance wages for a period of not less than three years. In subsequent years, the Bank will stop payments, recourse and deduct such amount based on the abnormal exposure of risks as well as violations of laws, regulations and disciplines. During the Reporting Period, the Bank stopped paying and recovered performance wages for the corresponding period for relevant personnel who were disciplined or held accountable in accordance with the above Administrative Measures.

In addition to basic social pension and insurance, the Bank cared about the welfare of staff and implemented the supplementary benefits such as annuity. Please refer to Note 12. Staff costs to the Consolidated Financial Statements for the details of staff costs and benefits of the Bank for this Reporting Period.

(III) Training Management

During the Reporting Period, the Bank continuously held various training classes for cadres and staff to improve their performance and political capabilities, cultivating a financial team with purity, professionalism and competitiveness. In terms of cadre training, 17 training courses were organized on the spirit of the Central Financial Work Conference, digital transformation and high-quality development, focusing on strengthening capabilities of cadres at all levels to promote digital transformation, implement the "five priorities" of finance, and prevent and mitigate financial risks. At the same time, the Bank focused on the needs of quality development, and carried out targeted training for various types of talent teams, such as fintech talent, account managers/product managers, risk managers, payment and settlement talent, and party construction talent, including holding regular seminars on corporate business, international business, inclusive finance business, risk business, internal controls, and credit granting business, so as to effectively enhance the professional capabilities of employees.

The Bank paid great attention to professional ethics training and anti-corruption warning education for employees, and continuously strengthened the anti-corruption awareness of cadres and employees. During the Reporting Period, the Bank educated cadres and employees to take lessons from corruption, resist corruption and guard against degeneration by releasing typical case notifications, holding warning education conferences, and playing warning education films.

As for means of training, the Bank flexibly used online training via its own platform e-Campus, xuexi.cn APP, HUAWEI Video and Tencent Meeting. During the Reporting Period, the Bank organised training for nearly 1.03 million cadre and staff, including face-to-face training for over 190,000 people and online training for over 840,000 people.

(IV) Talent Training and Reserve

During the reporting period, the Bank continued to optimize the talent development system and mechanism as well as the talent policy in key areas, and strengthened the professional talent team building to provide strong talent protection to facilitate and promote the Bank's high-quality development and digital transformation. The Bank continuously deepened the reform of the talent development system and mechanism, established and improved the relevant criteria, issued the *Action Plan for Enhancing the Quality of Key Talents of the Bank of Communications,* which raised the enhancement of talent quality to the level of the Bank's strategic development, and strived to establish a talent work pattern of coordination and joint management. Focusing on the Bank's digital transformation strategy, the Bank made every effort to promote the implementation of the Ten Thousand People Technology Engagement plan, with the proportion of newly recruited science and technology graduates in the Bank has increased to 70% in 2023. The Bank continued to build a talent team to support its policies and selected 29 business core members to go to difficult areas, such as Qinghai and Xinjiang, to exchange and assist in building branches. The Bank intensified the opening up of high-level leading talent to attract global talent, and achieved a breakthrough in talent attraction in 2023, with around 10 high-level talent introduced in key shortage areas such as financial technology, risk measurement, compliance and anti-money laundering.

IX. INTERNAL CONTROLS

(I) Statement of the Board of Directors on Internal Controls Responsibility

The objective of the internal controls of the Bank is to ensure the faithful implementation of the relevant laws, regulations and rules of the State, the realization of the development strategies and operational objectives, the effectiveness of risk management, and the truthfulness, accuracy, completeness and timeliness of the business records, accounting information, financial information and other management information of the Bank.

It is the Board of Directors' responsibility to establish, improve and effectively implement internal controls, assess the effectiveness of internal controls and truthfully disclose the internal controls assessment report. Internal control system aims to manage rather than eliminate the risk of failing to achieve the business targets, and it can only make reasonable rather than absolute assurance over items with no material misrepresentation or loss. The Board of Supervisors supervises the establishment and implementation of internal controls by the Board of Directors and Senior Management. Senior Management is responsible for organizing and leading the day-to-day operation of internal controls within the enterprise. The Board of Directors set up Audit Committee and Risk Management and Related Transactions Control Committee to perform the corresponding internal controls functions. Senior Management set up Comprehensive Risk Management and Internal Controls Committee to take charge of coordinating and promoting the internal controls systems construction, reviewing the basic policies of internal controls, organizing and implementing significant events of internal controls.

(II) Statement of Effectiveness of Internal Controls

In 2023, the Group continued to aim to "institutionalise management, institutionalise processes and informatise processes", and constructed an internal controls system that is suitable for the business scope, organizational structure, business scale, and risk situation. During

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the Reporting Period, the Bank promoted further reform of the internal control and compliance management system, improved the organisational structure and segregation of duties for internal control and compliance, and accelerated the improvement of an internal control and compliance governance system compatible with regulatory requirements and the high-quality development of the entire bank. The Bank also improved relevant mechanisms surrounding internal control evaluation and internal control and operational risk assessment, and held seminars on operational risk and crime prevention, among others, to build a sound internal control system and to strengthen the joint management among the business departments, the internal control function, and the audit department. Moreover, the Bank improved the "on-site and off-site" and "manual prevention and technical prevention" internal control inspection and supervision system, strengthened the application of digital measures, and enhanced the ability to actively identify and effectively solve issues. Finally, the Bank promoted the construction of the internal control compliance culture and education on the early-warning of non-compliance cases in an integrated, organised and promoted the intensive education of "analysing internal control issues to improve compliance awareness", and conducted activities such as "The President Explaining Internal Control and Compliance" and "Discussions on Internal Control and Compliance" to consolidate the internal control management foundation.

With a focus on its internal controls objectives, the Bank established a stringent internal controls system for financial reporting. During the Reporting Period, the Board of Directors ensured the effectiveness of the risk management and internal control systems of the Bank and its subsidiaries on many important aspects including financial monitoring, operation monitoring and compliance monitoring. Besides, the Board of Directors ensured that the resources, staff qualifications and experience of the Group's accounting, internal audit and financial reporting functions and those relating to environmental, social and governance performance and reporting were adequate, and that the training programmes received by the staff and the related budgets were sufficient.

(III) Organization Structure and Main Duties of Audit Supervision

The Bank's audit work was led by the Board of Directors, who assumed the ultimate responsibility for the independence and effectiveness of the internal audit. According to the size and complexity of the Bank's businesses, the Board of Directors provided the followings: sufficient and stable internal auditors, sufficient audit funds included in the financial budget, support for the informatization of the audit work, and necessary guarantees for independence and objectivity of the internal audit. The Board of Directors set up an Audit Committee to monitor, assess and evaluate the internal audit work on an ongoing basis, review important systems and reports such as the Internal Audit Charter, approve the annual audit plan, and receive the report on relevant audit results. The Bank set up a 3-level audit supervision system of Head Office Audit Supervision Bureau, regional Sub-bureaus of Audit Supervision and Audit Departments of provincial and directly-managed branches, carrying out a vertical and unified management. The Bank's Audit Departments consistently promoted full-spectrum audit, insisted on risk-oriented audit, reviewed and urged the improvement of the Bank's business operation, risk management, internal control and compliance, and corporate governance results, and promoted the steady development of the Bank and the achievement of the Board of Director's strategic goals.

(IV) Management and Control over Subsidiaries

In line with the strategic plan of the "14th Five-Year Plan", the Bank strengthened its coordination with its subsidiaries, and enhanced the Group's comprehensive service capability across industries, borders and markets. The Bank promoted subsidiaries to improve the governance structure and procedures including "Shareholders' Meeting, Board of Directors, Board of Supervisors and Senior Management" to enhance the effectiveness of corporate governance; promoted the extension of the Group's line management requirements to subsidiaries and strengthened the management of subsidiaries' shareholdings. The Bank incorporated subsidiaries into the Group's consolidation management system and comprehensive risk management and internal control system. Under the Group's overall policy framework, each subsidiary formulated its own risk appetite and limits in light of the local regulatory requirements and its own business operations, established a risk governance structure with robust organizational structure and well-defined responsibilities, and improved specific risk management policies, systems and implementation rules.

(V) Self-Assessment Report on Internal Controls and Auditor's Report on Internal Controls

The Bank disclosed the assessment report on internal controls and auditor's report on internal controls along with the Annual Report.

In 2023, the Bank continued to improve the comprehensiveness and effectiveness of internal control assessment. The internal control assessment was jointly carried out by the business department and the internal audit department organized by the internal control management functional department. The assessment covered the the headquarters of the Bank, domestic and foreign branches and affiliated subsidiaries, and the assessment covered multiple dimensions. The assessment effectively promoted the joint management of the "three lines of defence", timely identified and rectified internal control deficiencies, and consolidated the foundation of high-quality development. The Board of Directors conducted an annual assessment on the effectiveness of internal controls of the Bank as at 31 December 2023 (as the base date of the assessment report on internal controls). Based on the Bank's criteria for evaluating deficiencies of internal controls over financial reporting, there was no material weakness or significant deficiencies of internal controls over financial reporting as at the base date of the assessment report on internal controls. The Bank maintained effective and adequate internal controls over financial reporting in all material respects. In accordance with the Bank's internal controls on the identification of non-financial reporting deficiencies, no material weakness or significant deficiencies were identified in the internal controls of non-financial reporting. The Bank proactively put efforts in improving and monitoring items with rooms for improvement, which did not pose any substantial impacts on the soundness and effectiveness of internal controls and reliability of financial reporting. Comprehensive Risk Management and Internal Controls Committee of the Bank heard periodical reports on the results of rectification for the internal controls problems identified in either internal or external review processes and pushed forward the implementation of the rectification of the relevant problems.

No events influencing the effectiveness of internal controls assessment were identified since the base date of reporting to the issuance date of the internal controls assessment report.

The Bank engaged KPMG Huazhen LLP to perform audit procedures on its internal control. The Bank's conclusion on the effectiveness of internal controls for the purpose of financial reporting is consistent with Audit option on internal controls. And the disclosure of material deficiency of internal controls, which is not for the purpose of financial reporting, is consistent with the disclosure of the Bank's internal audit assessment report.

For details on the Group's assessment report on internal controls and auditor's report on internal controls, please refer to the announcements of the Bank published on the website of the SSE, the website of HKEX News of Hong Kong Stock Exchange and the Bank's website.

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X. ACCOUNTABILITY MECHANISM OF MATERIAL MISTAKES IN INFORMATION DISCLOSURE OF ANNUAL REPORT

The Bank strictly complied with the regulatory requirements and BoCom's policies, such as *the Administrative Measures of Information Disclosure* and *the Administrative Measures for Report with Major Information*, attended the information disclosure training, clarified internal control points of information disclosure in aspects of information reporting, preparing and review, improved position responsibilities, implemented accountabilities for errors and prevented the material disclosure error. During the Reporting Period, there was no material mistake in information disclosure of the Annual Report of the Bank.

XI. MANAGEMENT OF INSIDE INFORMATION

The Bank strictly adhered to *the Securities Law of the People's Republic of China* and *Insider Registration Policy* and *Administrative Measures for the Confidentiality of Insider Information*, to establish a system for registration and administration of people with access to the insider information and ensure the confidentiality of the insider information. In addition, the Bank strictly controlled the range of persons with access to inside information with a timely registration system, especially in the periods of performance announcements and other significant events. Unless the relevant information falls within the scope of the safe harbour provision referred by *the Guidelines on Insider Information Disclosure* of the Hong Kong Securities and Futures Commission, the Bank will disclose such inside information to the public as soon as reasonably practicable. During the Reporting Period, there was no leakages of inside information. For the details of the Bank's *Insider Registration Policy*, please refer to the Bank's website at www.bankcomm.com, the SSE website at www.sse.com.cn and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

XII. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank required that the Directors, Supervisors and Senior Management of the Bank to strictly adhere to *the Management Rules for the Shares Held by Directors, Supervisors and Senior Managers of Listed Companies and their Changes* of the CSRC and *the Model Code for Securities Transactions by Directors of Listed Issuers* contained in Appendix C3 to the Hong Kong Listing Rules. Also, the Bank adopted a set of standards not less exacting than those mentioned above for the securities transactions of the Directors, Supervisors and Senior Management. Having made enquiry, all the Directors, Supervisors and Senior Management of the Bank confirmed that the securities transactions conducted by them were in compliance with the above rules during the Reporting Period.

XIII. CHAIRMAN AND PRESIDENT

According to the Articles of Association of the Bank, the functions of Chairman and President of the Bank should be segregated. During the Reporting Period, the Chairman of the Bank is Mr. Ren Deqi and the President of the Bank is Mr. Liu Jun.

XIV. APPOINTMENT OF AUDITORS

As of the time of the 2023 Shareholders' General Meeting of the Bank, KPMG Huazhen LLP and KPMG have each completed 2 years of service for the Bank. The audit project partner and the signatory certified public accountant have served the Bank for 2 years.

Upon approval at the 2022 Shareholders' General Meeting of the Bank in relation to the appointment of auditors for the year of 2023 KPMG Huazhen LLP was engaged by the Bank to perform the audit for financial statements under CAS, internal controls of the Bank and other related professional services. While, KPMG was appointed by the Bank to perform the audit for financial statements under IFRSs and other related professional services. The engagement period commenced from the date of approval at the 2022 Shareholders' General Meeting of the Bank and will end upon the conclusion of the 2023 Annual

General Meeting. In 2023, KPMG and its network member firms were engaged to provide services to the Group (including the Group's subsidiaries and overseas branches) with a total audit fee of approximately RMB74.885 million, which included financial statement audit fees of RMB61.585 million, internal controls audit fees of RMB1.849 million and RMB11.451 million for related professional services.

The Audit Committee of the Board of Directors of the Bank expressed its satisfaction with the work, independence and objectivity of KPMG and its network member firms.

XV. ESTABLISHMENT AND IMPLEMENTATION OF ASSESSMENT MECHANISM AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The performance assessment of the Bank's Senior Management is conducted in accordance with relevant national requirements and the Bank's assessment method for annual business performance of Senior Management.

During the Reporting Period, the Bank did not implement any share incentive scheme.

XVI. INVESTOR RELATIONS

The Bank adhered to the concept of maximizing the value for investors and was committed to constantly diversifying the channels and forms of communication with investors, value promotion to investors and value recognition by investors, so as to create value for investors. The Bank attached great importance to protecting the legitimate rights and interests of investors, carried out information disclosure in strict compliance with regulations, strived to build and maintain benign and harmonious investor relations, and continued to consolidate the Bank's good image as an honest, open and responsible large-scale state-owned listed bank.

(I) Promote communication with the capital market through improving diversified communication channels

The Bank's Senior Management attached great importance to investor relations work and personally participates in major investor relations activities. During the reporting period, the Bank held 4 periodical performance announcements via a flexible combination of Internet video live streaming, telephone conferences, and on-site meetings, as well as web-based results presentations for small and medium-sized investors, which resulted in a total of more than 180,000 investors, analysts and media journalists being exchanged with the Bank. The Senior Management of the Bank led a team to conduct domestic and overseas roadshows and had in-depth exchanges with domestic and overseas institutional investors. Under the theme of "Promoting the Construction of Shanghai Main Stadium and Enabling High-Quality Development", the Bank conducted a reverse roadshow, inviting analysts and investors to come into the Bank to learn more about the results of the implementation of the Bank's development strategy, which achieved good results. The Bank's Senior Management held deep exchanges of ideas with domestic and foreign institutional investors through discussion and analysis. Reverse roadshows were carried out with the theme "Promoting the Construction of the Shanghai Base to Enable High-quality Development", and analysts and investors were invited to closely learn about the implementation of the Bank's development strategies, which had achieved fruitful results. The Bank adhered to the combination of "going out" and "inviting in" strategies to actively carry out routine exchanges on the capital market. During the Reporting Period, the valuation management team participated in 14 domestic and overseas investor on-site forums, hosted 43 rounds of research for investors, and communicated with about 600 institutional investors. The Bank used online platforms such as the Shanghai Stock Exchange e-Platform, online reception days, investor hotlines, and investor emails to maintain communication with small and medium-sized investors.

CORPORATE GOVERNANCE

Benefiting from effective market communication and promotional activities, the Bank was awarded "Top IR Company" and the "Best Small-Medium Investor Interaction Award" in the "Quanjing Investor Relations Gold Award (2022)" jointly organised by Quanjing.com and Nankai University. Ren Deqi, the Chairman of the Board, was awarded "Best IR Chairman". In the "2022 Best & Excellent Practice of Business Performance Presentation" awards which was organised by the China Association for Public Companies, the Bank won the "Excellent Practice Award".

(II) Strictly Adhere to the bottom line of legal compliance and standardize information disclosure

To comply with the principle of "True, Accurate, Complete, Timely and Fair" to carry out statutory information disclosure, the Bank strengthens proactive communication with the market, and issued a total of 142 periodic reports and various temporary announcements throughout the year, while maintaining good transparency. At the same time, the Bank has enriched the contents of its periodic reports around the focus of market concerns, continuously disclosed the progress of its development strategies, demonstrated the features of its inclusive finance, trade finance, technology finance and wealth finance businesses, as well as the effectiveness of the construction of the Shanghai home turf and the digital transformation, enriched the disclosure of the governance mechanism and results of the development of green finance; and proactively responded to the market's concerns about the hot issues and enhanced the effectiveness of information delivery. The Bank has been rated as a Class A company for information disclosure by the SSE for ten consecutive years.

(III) Effectively safeguard the Rights and Interests of the Investors and maintain stable dividend levels

During the Reporting Period, upon approval by the Shareholders' General Meeting, a cash dividend of RMB0.373 (tax inclusive) was distributed to each ordinary share, totaling RMB27.700 billion, accounting for 32.72% of the net profit distributable to shareholders of the Bank. The dividends of domestic preference shares distributed by the Bank were RMB1.832 billion. During the Reporting Period, the Bank regularly convened two Shareholders' General Meetings, using online voting, small and medium investors voting on major events with independent vote counting and other means to ensure the equality and fairness of legal rights of large and small shareholders. Strictly abiding by the "Shareholders' Communication Policy" of the Hong Kong Stock Exchange, the Bank listened to the opinions and suggestions from shareholders through investor mailbox, investor hotline, SSE e-Interaction Platform and other channels, and made announcement to publicly collect concerns from investors before releasing annual and semi-annual performance and third quarter performance, so as to ensure their right to know. The Bank has reviewed the implementation of the Shareholders' Communication Policy during the reporting period and considered the current Shareholders' Communication Policy adequate and effective.

XVII. ADHERENCE TO THE CORPORATE GOVERNANCE CODE

The Board of Directors of the Bank confirmed that, during the year ended 31 December 2023, the Bank had complied with the principles and code provisions contained in the Corporate Governance Code all the time, and complied with the majority of the recommended best practices.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors hereby presents its report and the audited Consolidated Financial Statements of the Group for the fiscal year 2023.

I. PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of banking and related financial services. Please refer to the section of "Management Discussion and Analysis" for a review of the Group's business during the Reporting Period. Please refer to the section of "Significant Events" for the important events of the Group that occurred since the end of the Reporting Period.

II. SUMMARY OF FINANCIAL INFORMATION

Please refer to the section of "Financial Highlights" for the summary of the operating performance, assets, and liabilities for the past five years.

III. RESULTS AND PROFIT DISTRIBUTION

(I) Please refer to the Consolidated Income Statement for the operating performance of the Group during the Reporting Period.

(II) Please refer to Note 34. Other reserves and retained earnings for the details of the Group's undistributed profits as at the end of the Reporting Period.

(III) The formulation, implementation or adjustment of the cash dividend policy.

The Articles of Association provides that the Bank may distribute dividends in cash or shares. The profit distribution of the Bank should focus on the reasonable return for investors. The profit distribution policy should maintain its continuity and stability. Unless under special circumstances, the Bank should distribute dividends mainly in cash if it records profit in the year and the accumulated undistributed profits are positive. The total profit distributed in cash for each year should not be less than 10% of the Group's net profit that are attributable to shareholders of the Bank.

During the Reporting Period, the Bank distributed a cash dividend of RMB0.373 (tax inclusive) per share to ordinary shareholders, which amounted to a total of RMB27.700 billion, accounting for 32.72% of the net profit attributable to ordinary shareholders of the Bank. The profit distribution policy is in compliance with the Articles of Association as well as the resolutions of Shareholders' General Meeting. The plan, to which independent consent was expressed by 6 Independent Non-executive Directors, is clear in terms of the standard and ratio of dividend distribution with adequate decision-making procedures and mechanism, which fully protects the legitimate rights and interests of medium and small investors, enabling them to fully express their opinions and demands. In March 2024, the Board of Directors of the Bank deliberated and approved the distribution of a cash dividend of RMB0.375 (tax inclusive) per share to ordinary shareholders, which amounted to RMB27.849 billion, accounting for 32.67% of the net profit attributable to ordinary shareholders of the Bank. The withholding and reduction of taxes related to dividends will be carried out in accordance with relevant national laws and regulations. For details, please refer to dividend distribution implementation announcement to be issued by the Bank. Please refer to the section of "Changes in Shares and Shareholders" for the result of preference share dividend distributions.

REPORT OF THE BOARD OF DIRECTORS

IV. CAPITAL RESERVE

Please refer to Consolidated Statement of Changes in Equity for the details on the movements of capital reserve of the Group during the Reporting Period.

V. CHARITABLE DONATIONS

Charitable donations made by the Group during the Reporting Period amounted to RMB58.3622 million[8].

VI. FIXED ASSETS

Please refer to Note 23. Property and equipment for the details of changes in the Group's fixed assets during the Reporting Period.

VII. PUBLIC FLOAT

During the Reporting Period and up to the latest practicable date prior to the publication of this Annual Report, the Bank kept on fulfilling the public float requirements in compliance with the Hong Kong Listing Rules, based on public information and knowledge of the directors.

VIII. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

None of the directors or supervisors of the Bank entered into any service contracts with the Bank, which would entail compensation if terminated by the Bank within one year (other than statutory compensation).

IX. INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Other than the information disclosed in the section of "(III) Continuing connected transactions under the standards of Hong Kong Stock Exchange" in the report of the Board of Directors, during the Reporting Period or as at the end of the Reporting Period, neither the Bank's directors or supervisors, nor their connected entities had any direct or indirect material interests in any transactions, arrangements or contracts of significance set up by the Bank or any of its subsidiaries.

X. MANAGEMENT CONTRACT

During the Reporting Period, the Bank neither entered into nor held any contracts concerning the management and administration of the whole or any substantial part of the Bank's businesses.

XI. INTERESTS OF DIRECTORS IN COMPETING BUSINESS OF THE BANK

Except as disclosed in the section of "Corporate Governance", none of the directors of the Bank held any interests among the businesses that directly or indirectly competed or were likely to compete with the Bank.

XII. REMUNERATION POLICY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to the section of "Remuneration Decision-making Process and the Deciding Factors".

XIII. RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There was no financial relationship, business relationship, family relationship or any other significant relationship subject to disclosure among Directors, Supervisors and Senior Management of the Bank.

8 Including personal donations of employees.

XIV. PRE-EMPTIVE RIGHTS, SHARE OPTION ARRANGEMENTS, AND ISSUANCE OF BONDS

There were no provisions regarding pre-emptive rights of the shareholders under the Articles of Association or relevant laws and regulations of the PRC, and the Bank did not have any arrangements with respect to the share options. During the Reporting Period, the Bank did not issue any ordinary shares or convertible bonds. Please refer to "IV Issuance, Listing, Trading and Redemption/Payment of Securities" set out in the section of "Changes in Shares and Shareholders" for the issuance of bonds by the Bank during the Reporting Period.

XV. RIGHTS OF DIRECTORS AND SUPERVISORS TO SUBSCRIBE FOR SHARES OR DEBENTURES

During the Reporting Period or as at the end of the Reporting Period, the Bank or its subsidiaries did not enter into any agreements or arrangements which enabled the directors or supervisors to acquire benefits by means of the acquisition of shares or debentures of the Bank or any other legal entities.

XVI. MAJOR CUSTOMERS

During the Reporting Period, the total interest income and other operating income from the 5 largest customers of the Group accounted for less than 30% of the sum of the Group's interest income and other operating income.

XVII. CONNECTED TRANSACTIONS

During the Reporting Period, the Bank strictly followed the regulations of the NFRA, the CSRC and the listing rules of Shanghai and Hong Kong, implemented standardised management on related party transactions, adhered to commercial principles, and conducted related party transactions on conditions not superior to similar transactions with non-related parties. During the Reporting Period, there were no unfair related party transactions.

(I) Related party transactions under the NAFR standards

According to the *Administrative Measures on Related-party Transactions of Banking and Insurance Institutions (Order of the China Banking and Insurance Regulatory Commission [2022] No. 1)*, the Bank's on- and off-balance sheet net credit amount to all related parties was 261.908 billion at the end of the reporting period, accounting for 21.9596% of the Bank's net capital. Industrial Bank Co., Ltd.[9] had the largest net credit, with the on- and off-balance sheet net credit amount of 39.304 billion, accounting for 3.2954% of the Bank's net capital. Among the groups of affiliated legal persons, the Bank of Communications Financial Leasing Co., Ltd. and its subsidiaries had the largest net credit, with the on- and off balance sheet net credit amount of 111.351 billion, accounting for 9.3362% of the Bank's net capital. All of the above are in compliance with the regulatory ratio requirements.

At the end of the Reporting Period, the net value of the transactions with affiliated legal persons or unincorporated organisations was RMB260.648 billion, mainly included loans and advances to customers (trade financing included), securities investment, due from and placements with banks and other financial institutions and other on balance sheet credits, as well as the off-balance sheet businesses such as letter of guarantee, letter of credit and bank acceptance notes. The counterparties mainly included Industrial Bank Co., Ltd., Bank of Communications Financial Leasing Co., Ltd, Bocom Leasing Management Hong Kong Co Ltd, BOCOM Financial Asset Investment Co.,

9 According to the Measures for the Administration of Connected Transactions of Banks and Insurance Institutions (hereinafter referred to as the "Measures"), the interbank business conducted between the Bank and its domestic and foreign related-party banks may not be subject to the provisions of Article 16 of the Measures relating to supervisory ratios and the criteria for significant connected transactions in Article 14 of the Measures.

REPORT OF THE BOARD OF DIRECTORS

Ltd., China CITIC Bank Co., Ltd., Bocom Leasing Development Hong Kong Company Limited, Bank of Beijing Co., Ltd., Bank of Communications (Hong Kong) Limited, BANCO BOCOM BBM S.A., HSBC Bank (China) Company Limited.

At the end of the Reporting Period, the balance of loans for related natural persons of the Bank was RMB716 million, and the overdraft limit of credit cards (including the credit undrawn) and the balance of consumption loans under credit cards amounting to RMB543 million.

During the reporting period, the Bank and its related parties accumulated asset transfer transactions of RMB9.4 billion; service-based transactions of RMB5.419 billion; deposits of RMB241.117 billion; derivatives transactions: the cumulative transaction amount of RMB3,119.786 billion in the first to third quarter calculated on the basis of the notional principal amount, and RMB1.976 billion[10] in the fourth quarter calculated on the basis of the absolute value of fair value valuation at the date of the transaction; and other transactions of RMB1 million.

(II) Related party transactions under the standards of the CSRC and the SSE

According to the CSRC's *Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 26 – Special Provisions on Information Disclosure by Commercial Banks* and the *Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Contents and Formats of Annual Reports (2021 Revision)*, the total on- and off-balance sheet credit granted to all related parties by the Bank under the standards of the CSRC and SSE at the end of the Reporting Period was 18.069 billion.

At the end of the Reporting Period, the Bank's credit balance with affiliated legal persons or unincorporated organisations was RMB18.057 billion. The transactions with affiliated legal persons or unincorporated organisations mainly included the on-balance sheet businesses such as loans, securities investment and other on-balance sheet credit. The counterparties included the Hongkong and Shanghai Banking Co., Ltd., BBMG Corporation, Bank of Beijing Co., Ltd., Bank of Guizhou Co., Ltd., China Life Property And Casualty Insurance Company Limited.

At the end of the Reporting Period, the balance of loans of the Bank to affiliated legal persons was RMB0.63 million, the overdraft limit of credit cards (including the credit undrawn) and the balance of consumption loans under credit cards amounting to RMB10.9245 million.

During the Reporting Period, asset transfers between the Bank and related parties totalled RMB15.7996 million, and the accumulated services provided by related parties to the Bank were RMB1.079 billion.

(III) Continuing connected transactions under the standards of Hong Kong Stock Exchange

HSBC is a substantial shareholder of the Bank. According to the Hong Kong Listing Rules, HSBC together with its associates (including subsidiaries) are connected persons of the Bank. The Group has regularly engaged in various transactions in the normal course of banking businesses with HSBC Group, including but not limited to the

10 The Bank collected and summarised related party transactions in accordance with the supervisory regulations and relevant summarizing requirements.

interbank loans and borrowings transactions, bond transactions, money market transactions, foreign currency transactions, other financial asset transactions, other financial service transactions and swaps and options transactions. To regulate the continuing transactions mentioned above, the Bank and HSBC entered into the *Interbank Transactions Master Agreement* on 29 May 2023 for a period of three years commencing on 1 June 2023 and ending on 31 May 2026. The terms and conditions of such Agreement are not substantially different from those of the *Interbank Transactions Master Agreement* dated on 29 May 2020.

The parties agreed that each transaction contemplated under the Agreement shall be carried out in accordance with applicable normal practice of the interbank market and on normal commercial terms: where there are applicable laws or regulations or promulgations by or notices from applicable regulatory authorities fixing the prices or rates for the transaction, such fixed price or rate shall apply; where there is no fixed price or rate, for open market transactions, reference will be made to the prevailing market prices; while for the other types of transactions (such as over-the-counter transactions), it shall be determined with reference to the prices or rates the parties would quote to each other or to independent counterparties (of equivalent credit worthiness as the parties) with respect to the particular type of transaction concerned (if applicable) and the risk management policies of both parties with respect to the transaction concerned.

For the period from 1 January 2023 to 31 May 2023, the caps for the continuing connected transactions under the master agreement are: 1. the caps for realised gains and losses and unrealised gains and losses (as the case maybe) are all RMB4.843 billion; and 2. the aggregate cap for fair value of the foreign currency transactions, other financial asset transactions and swaps and options transactions (whether recorded as assets or liabilities) is RMB7.250 billion. For the period from 1 June 2023 to 31 December 2023, the caps for the continuing connected transactions under the master agreement are: 1. the caps for realised gains and losses and unrealised gains and losses (as the case may be) are all RMB7.803 billion; and 2. the aggregate cap for fair value of the foreign currency transactions, other financial assets transactions and swaps and options transactions (whether recorded as assets or liabilities) is RMB11.089 billion. During the Reporting Period, the continuing connected transactions under the master agreement were: 1. for the period from 1 January 2023 to 31 May 2023, realised gains, and losses, unrealised gains and losses (as the case may be) were RMB0.832 billion, RMB1.78 billion, RMB0.376 billion and RMB0.926 billion respectively; for the period from 1 June 2023 to 31 December 2023, realised gains and losses, unrealised gains and unrealised losses (as the case may be) were RMB1.661 billion, RMB2.078 billion, RMB1.042 billion and RMB0.812 billion respectively; 2. the fair value of the foreign currency transactions, other financial assets transactions and swaps and options transactions (whether recorded as assets or liabilities) was RMB10.989 billion at 31 December 2023.

Pursuant to Rule 14A.87(1) and Rule 14A.90 of the Hong Kong Listing Rules, the interbank loans and borrowings transactions contemplated under the Agreement are exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval. Since Mr. Liao, Yi Chien David and Mr. Chan Siu Chung are also employed by HSBC, they were deemed to have material interest in the continuing connected transactions contemplated under the 2023 Interbank Transactions Master Agreement and abstained from voting on the relevant resolutions of the Board of Directors. Other than the directors mentioned above, none of the other directors have a material interest in such continuing connected transactions.

REPORT OF THE BOARD OF DIRECTORS

Upon detailed review of the continuing connected transactions in 2023, all of the Independent Non-executive Directors of the Bank considered that the continuing connected transactions were conducted: 1. in the ordinary course of businesses of the Group; 2. under normal or more favourable commercial terms; 3. in accordance with the Agreement and on terms that are fair and reasonable and in the interests of the shareholders of the Bank as a whole.

The auditors had issued a letter to the Board of Directors in respect of the continuing connected transactions in 2023 confirming the following: 1. such transactions were approved by the Board of Directors; 2. such transactions were in accordance with the pricing policies of the Bank; 3. such transactions were conducted in accordance with the terms of the Agreement; 4. the actual transaction amount of the non-exempt continuing connected transactions in 2023 did not exceed their respective caps.

The Bank confirmed that the specific agreements under the continuing connected transactions during the Reporting Period were entered into and executed in accordance with the pricing principles of such continuing connected transactions.

Save as disclosed above, no related party transaction or continuing related party transaction set out in Note 45. Related Party Transactions to the Financial Statements that constitutes connected transaction or continuing connected transaction is required to be disclosed under the Hong Kong Listing Rules. Regarding the non-exempt connected transaction and continuing connected transactions, the Bank has complied with the disclosure requirements as specified in Chapter 14A of the Hong Kong Listing Rules.

(IV) Please refer to Note 45. Related Party Transactions to the Financial Statements for related party transactions prepared in accordance with the accounting standards.

XVIII. PERMITTED INDEMNITY PROVISION

Subject to the applicable laws and the coverage of insurance of directors' liabilities of the Bank placed for the directors, each director of the Bank will be entitled to be indemnified against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto. Such provisions were in force during the Reporting Period and remained in force as of the date of this Annual Report.

XIX. ENVIRONMENT POLICIES AND PERFORMANCE

Please refer to the section of "Environmental and Social Responsibility" in this report for the details.

XX. COMPLIANCE WITH LAWS AND REGULATIONS

The Group needs to comply with various laws and regulation, mainly including Company Law of the People's Republic of China, Commercial Bank Law of the People's Republic of China, Civil Code of the People's Republic of China, domestic and overseas securities laws and exchange regulations, and other regulations and legal documents. The Group ensures its adhering to the laws, regulations and legal documents that are closely related to operation and management through internal control, compliance management, employee training and other measures. The Group will notify related employees and operating teams in an appropriate manner if there are significant changes in laws, regulations and legal documents. During the Reporting Period, to the knowledge of the Bank's directors, the Group had no violation of related laws and regulations which would have significant effects on the Group's operation and management.

XXI. RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group is devoted to maintaining the long-term sustainable development, continuously creating value for employees and customers and keeping good relationship with suppliers. The Group clearly understands that employees are valuable assets. For details regarding the training management of employees, talent cultivation and reserve and remuneration policy, please refer to "Human Resource Management" set out in the section of "Corporate Governance" in this report.

Emphasising on supplier selection, the Group encourages fair and public competition and intends to establish the long-term cooperation relationship with high quality suppliers based on mutual trust. Based on the core value of integrity, the Group is devoted to providing better financial services and creating a reliable service environment for customers. During the Reporting Period, the Group had no important and material dispute with its suppliers and/or customers.

XXII. LIST OF DIRECTORS

Please refer to the section "Corporate Governance" for the list of directors during the Reporting Period and as at the date of this Annual Report (unless otherwise stated).

The aforementioned sections, reports and notes form an integrated part of the Report of the Board of Directors.

By order of the Board of Directors
Chairman
Ren Deqi

27 March 2024

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors, in accordance with relevant national laws and regulations, supervisory requirements and the provisions of the Articles of Association, closely focused on the major decisions and deployments of the Central Committee of the CPC, and with the objective of protecting the legitimate rights and interests of the Bank, shareholders, employees, creditors and other stakeholders, actively performed its supervisory duties in accordance with the principles of loyalty, diligence, compliance and high efficiency, and contributed to the promotion of the improvement of corporate governance and the high-quality development of the Bank.

I. MAIN RESPONSIBILITIES OF THE BOARD OF SUPERVISORS

In 2023, the Board of Supervisors of the Bank of Communications adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly studied and implemented the spirit of the 20th National Congress of the Communist Party of China, the Central Financial Work Conference and the Central Economic Work Conference, performed our supervisory duties in a solid manner, continued to deepen the "three professional areas" mechanism, and enhanced the depth and breadth of its supervision, so as to effectively play an important role in the Bank's corporate governance system.

(I) Promote the standardised operation of the Board of Supervisors to ensure compliance and efficient performance of our duties.

1. Enhance the quality and effectiveness of meetings of the Board of Supervisors. Throughout the year, four meetings of the Board of Supervisors were held in compliance with the law. 19 proposals were considered, and the deliberations, reviews and briefings of the meetings covered all statutory duties of the Board of Supervisors. To strengthen the supportive role of special committees, eight meetings of special committees were held throughout the year to consider 36 proposals and reports. The special committees carried out discussions with management on key issues of concern, and important matters were considered by the special committees to form a collective opinion and report to the Board of Supervisors. Our supervisors actively participated in various important meetings by attending two Shareholders' General Meeting, five on-site meetings of the Board of Directors, and a number of important meetings in relation to the Senior Management and staff congresses, such as the annual working meeting, business line meetings, business analysis meetings, etc. These followed up on the Bank's business decisions for implementation in real time and to provide strong informational support for the Board of Supervisors to perform our duties.

2. Effectively ensure the performance of duties. The newly revised Rules of Procedure for the Board of Supervisors were issued in a timely manner to improve the foundations of the operating system. We arranged our supervisors to attend training sessions for directors and supervisors of listed companies, as well as professional courses for the implementation of the retail transformation strategy, an introduction to new anti-money laundering regulations, and situational analysis, etc., in order to enhance their ability to perform their duties.

(II) Closely focus on supervisory responsibilities and in-depth supervision in key areas.

1. Promote in-depth strategic supervision. We regularly reviewed the Bank's Assessment Report on Strategy Implementation, paying great attention to and monitored the strategic management of the Board of Directors to ensure that they have established sound business philosophy and value guidelines, and formulating a development strategy in line with the actual situation of the Bank. Under the theme of education and the requirements of promoting investigative and research work, we carried out supervision of key areas such as the implementation of the retail transformation strategy, rural revitalisation, and "revisit" our strategic supervision to focus on pain points and business disruptions. We also performed a wide range of actual and effective research work by "reaching out to four grass-root levels", accurately analysing the root causes of problems at the level of corporate governance, presenting the supervision findings to management in a timely manner, and dynamically tracking the implementation of the relevant initiatives and the transformation of the results. We actively paid attention to the implementation of the "five priorities" of finance in the Bank, followed up the progress of the main assessment indicators of the "One-Four-Five" strategy, and dynamically tracked the implementation of strategic key tasks such as the creation of business characteristics, the leveraging of the Shanghai Base advantages, and digital transformation.

2. Continuously strengthen capital and financial supervision. We paid great attention to the major financial decisions and their implementation by the Bank as a whole, reviewing periodic reports on a quarterly basis at the meetings of the Board of Supervisors, paying attention to the truthfulness, accuracy and completeness of financial information, and focusing on supervision of the financial accounts, major investment and financing and asset write-offs, capital management, profit distribution, equity management, performance appraisal, remuneration management and incentive and constraint mechanisms. We paid attention to operations and management issues reflected in the indicators, carried out comprehensive assessments and analysis of the entire Bank's operations and management on a quarterly basis, dynamically tracked changes in important indicators, such as asset size, profitability, capital adequacy ratio, etc., by using channels such as the management cockpit, supervision and disclosure of the peer group, and followed up on major matters such as inclusion in the Global Systemically Important Banks (G-SIBs). We fulfilled our financial supervision and inspection duties and received quarterly external audit reports in the form of communication meetings prior to the regular meetings of the Board of Supervisors, and thoroughly discussed key issues. We focused on financial compliance, in conjunction with regulatory inspections and internal audits, and paid attention to the financial compliance management of key businesses and organisations, and strictly adhered to financial discipline.

REPORT OF THE BOARD OF SUPERVISORS

3. Continuously strengthen risk management, internal control, and compliance supervision. We focused on the quality and effectiveness of comprehensive risk management, reviewed the Assessment Report on Comprehensive Risk Management on a quarterly basis at meetings of Board of Supervisors, and attended relevant meetings of the Risk Management and Related Party Transactions Control Committee of the Board of Directors and the Senior Management to keep abreast of the Bank's credit risk, market risk, liquidity risk, operational risk, information technology risk, reputation risk, and the risk of criminal cases. Through dynamic supervision, we focused on risks across key areas such as real estate, local government debt, credit cards, etc., followed up on the progress of "Year of Asset Quality Consolidation", and paid attention to areas such as consolidation management, expected credit losses, stress tests, and the building of digital risk-control capacity. We regularly reviewed the Internal Control Evaluation Report, followed up on the internal control governance structure and the system operation and evaluation mechanism, continuously focused on the weaknesses of internal control management, and promoted the enhancement of the scientific and effective nature of internal control evaluation. We implemented assessment and evaluation of the Audit and Supervision Bureau of the head office. The Financial and Internal Control Supervision Committee reviewed the Audit Status Report on a quarterly basis, supervised the performance of the internal audit function, and timely incorporated into the supervisory protocol the system and process deficiencies, system control loopholes, etc., identified by the internal audit. We strengthened the integration of the supervision of meetings and professional training to follow up on the Bank's anti-money laundering management, connected transactions, foreign institution compliance, case prevention and staff behaviour management, consumer rights protection, and information disclosure. In conjunction with supervisory inspections by the National Audit Office, the People's Bank of China, and the National Financial Regulatory Administration, the Bank followed up on the implementation of regulatory opinions, informed the Board of Supervisors, and incorporated cases of regulatory penalties into our daily supervision.

(III) Firmly carry out supervision and evaluation of the performance of duties and enhance the accuracy of supervision and evaluation.

We enhanced the comprehensiveness of information obtained in the performance of duties and established a multi-channel mechanism for obtaining information through the supervision of meetings, daily supervision, interviews and communications, and debriefing reports, so as to ensure a timely and comprehensive grasp of the year-round work of the "Board of Directors, Board of Supervisors and Top Management Team" and their members. We improved the mechanism for filing information on the performance of supervisors, and dynamically followed up on the work of supervisors. We strengthened the effectiveness of performance evaluation, designed a differentiated evaluation system based on the types of directors and supervisors and the duties of the special committees in which they served, and focused on the effectiveness of the implementation of decisions in the areas under their management in conjunction with the division of responsibilities among Senior Management personnel, so as to enhance the scientific nature of the evaluation. We completed the evaluation of the performance of the Board of Directors and the self-assessment of the Board of Supervisors for 2022 and completed the evaluation of the performance of 13 Directors, 10 Senior Management and 9 Supervisors rated at three levels, namely "competent", "basically competent" and "incompetent". All of them were rated as "competent".

II. INDEPENDENT OPINION OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

Compliance with Applicable Laws: During the Reporting Period, the Bank undertook its businesses pursuant to laws and its decision-making process was in compliance with laws, regulations and Articles of Association.

Authenticity of the Periodic Reports: The periodic reports truly and fairly presented the financial position and financial performance of the Bank. KPMG Huazhen LLP and KPMG respectively issued unqualified auditor's report on the Bank's financial statements for the year of 2023 and the Board of Supervisors has no objection to the report.

Profit Distribution: The Board of Directors believed that the approval procedures for the 2023 Profit Distribution Plan of the Bank were in compliance with laws, regulations and Articles of Association of the Bank, and the distribution plan was in line with the actual situation of the Bank and the need of sustainable and stable development, and there was no intentional damage to the interests of investors.

Use of Proceeds Raised: During the Reporting Period, the Bank used the proceeds raised according to the purposes as disclosed in the Prospectus.

Acquisition and Disposal of Assets: During the Reporting Period, the Board of Supervisors was not aware of any acquisition or disposal of assets by the Bank which may harm the interests of the shareholders, or which may cause impairment to the Bank's assets.

Related Party Transactions: During the Reporting Period, the Board of Supervisors was not aware of any related party transactions that would damage the interests of the Bank.

Implementation of Information Disclosure: During the Reporting Period, the Board of Supervisors did not identify false records, misleading statements or material omissions.

Related Proposals: The Board of Supervisors considered that the Board of Directors well performed the resolutions of the Shareholders' General Meeting and had no objection to the proposals submitted to the Shareholders' General Meetings. The Bank was committed to the continuous development and improvement of its internal control system. The Board of Supervisors had no objection to the Internal Controls Self-Appraisal Report for 2023 of the Bank. The Bank vigorously performed its social responsibility. The Board of Supervisors had no objection to the Corporate Social Responsibility (ESG) Report for 2023 of the Bank.


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The Bank implemented its new development concept, vigorously promoted a financial culture with Chinese characteristics, consistently enriching the Bank's corporate culture, advocating "harmonious coexistence of human beings and nature", and actively contributing its financial strength to realising the goal of "shared prosperity for all people". During the reporting period, the Bank was awarded the "2023 ESG Best Practice Case for A-Share Listed Companies" by the China Association for Public Companies. For further information on the fulfilment of social responsibilities by the Bank, please refer to the *Social Responsibility (ESG) Report 2023 of Bank of Communications Co., Ltd.* on the SSE Website and the website of HKEx News of Hong Kong Stock Exchange.

I. ENVIRONMENTAL PROTECTION

(I) Green Finance

The Bank increased financial support for the construction of a beautiful China, helping promote the green development and the harmonious coexistence between human and nature. Based on the "14th Five-Year Plan", the Bank placed more emphasis on the development of green finance at the strategic level, taking "green" as the foundation of the Group's business operation and development. Besides, the Bank focused on key areas and key regions, enhanced green financial support to serve the real economy, promoted the synergistic development of green finance and four business features, so as to better meet financial demands of various entities in green investment, green consumption and low-carbon transformation. The Bank highlighted the underlying green financial services in terms of product and services, policy procedures as well as risk management and control.

1. Governance structure

The Board of Directors, the Bank's highest decision-making body for green finance, was responsible for establishing and promoting the green concepts such as conservation, low-carbon, environmental protection and sustainable development throughout the Bank. The Board of Directors also reviewed and approved the green finance development strategies and important systems formulated by the Senior Management. The Social Responsibility (ESG) and Consumer Protection Committee and the Risk Management and Related Party Transactions Control Committee under the Board of Directors are responsible for the management of green finance and ESG risks, respectively. During the Reporting Period, the ESG and Consumer Protection Committee reviewed the report on green finance submitted by Senior Management, determined the development objectives of green finance, and supervised and assessed its implementation. The Risk Management and Related Party Transactions Control Committee under the Board of Directors regularly carried out assessment of the climate risk management situation, provided guidance on the improvement of the ESG risk management system, promoted the construction of the green intelligence identification and ESG evaluation system, and deepened research into the climate risk stress test methodology.

In accordance with the Group's green finance development strategy, Senior Management and its Green Finance Development Committee formulated the Bank's policies and systems for the purpose of promoting the development of green finance and the achievement of "carbon peak and carbon neutrality", promoting the optimised development of a green finance mechanism, and appropriately submitting major green finance plans to the Board of Directors for approval. During the Reporting Period, the Bank clearly set green finance as an

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

important direction for business expansion, with a focus on serving key sectors and major projects supported by the country, making good use of the support tools provided by the People's Bank of China and proactively building up the advantages of green finance.

2. Policy system

The Bank developed a "2+N" green finance policy system, of which the "2" refers to the Bank's green finance policy and action plan for serving the carbon peak and carbon neutrality, which makes a directional deployment of the Bank's high-quality development of green finance and high-level service to the national "dual carbon" strategic goal: we clarified the specific objectives and key tasks for the three stages of 2025, 2030 and 2060, and by the end of the "14th Five-Year Plan" period, the Bank's balance of green loans should be no less than RMB800 billion, and is aiming for RMB1 trillion. "N" refers to various types of special policies on green finance, including organisational structure, business management, support tools, industry segments, product integration, approval policies, assessment and evaluation, and regional development.

During the reporting period, the Green Finance Policy Package of BoCom and the Green Credit Implementation Measures of BoCom were revised to strengthen customers' environmental, social and governance risk management, fully integrate green and low-carbon development requirements into the credit granting policy system, and strengthen the differentiated credit granting policy leadership. Added six special credit-granting strategy guidelines for photovoltaic industry chain, wind energy industry chain, smart grid industry chain, energy storage industry chain, hydrogen energy industry chain, and industrial green low-carbon transformation. Dynamically updated guidelines for approval in new energy fields such as wind power, photovoltaic power generation, photovoltaic manufacturing industry chain, and energy storage projects. Focusing on the key areas of energy, manufacturing, urban and rural construction, transport and other "dual-carbon" areas, the Group supports the financial needs of traditional industries for emission reduction and carbon reduction, and continues to promote the high-quality development of the Group's green financial business.

(1) Energy area: The Bank focused on supporting the investment and financing demands in the field of modern energy system construction, and tilted the credit resources towards the construction of new power system dominated by clean energy under the premise of ensuring the energy supply. Support reasonable financing needs in the field of the clean and efficient use of coal and other fossil energy sources.

(2) Manufacturing area: In combination with the carbon peak plans for key high-carbon-emission industries such as iron and steel, non-ferrous metals, construction materials, petrochemicals and chemicals, the Bank implemented differentiated credit policies with reference to selected projects and customers with standard energy consumption and energy efficiency, and adhered to the implementation of capacity replacement and the elimination of outdated production capacity arrangements. Curb the development of "high energy consuming, high polluting and low level industries" and eliminate outdated and inefficient production capacity.

(3) Urban and rural construction area: The Bank advanced the concept of green development, seized opportunities such as green upgrade of urban and rural infrastructure, green transformation of consumer industry, rural ecological environmental protection as well as reasonable and moderate development, and enhanced support for key areas and high-quality projects.

(4) Transportation area: The Bank followed up the trend of new energy and clean energy applications in transportation area, focused on supporting the electrification and low-carbon transformation of public transportation service systems, and supported infrastructure construction projects such as power charging and switching, supporting power grids, refuelling (gas) stations, etc.

The Bank continuously focused on the biodiversity protection. Under the Green Credit Implementation Measures of BoCom, the Bank explicitly supported investment and financing demands in areas such as biodiversity protection. Based on the Action Plan of Bank of Communications Co., Ltd. to Serve the Target of "Carbon Peak and Carbon Neutrality", the Bank proactively supported major projects for ecological protection and restoration of forests, grasslands, wetlands and oceans. Besides, the Bank served the ecological priority green development of the Yangtze River Economic Belt, and promoted the ecological protection and high-quality development in the Yellow River Basin. The 2023 Credit and Risk Policy Outline of Bank of Communications Co., Ltd. specified the Bank to actively address the financing needs of green and low-carbon transformation in the industrial, transport, construction and energy sectors, as well as in the areas of environmental pollution prevention and biodiversity conservation.

3. Practical effects

The Bank strengthened the due diligence, review and approval in ESG area for credit customers, fully assessed customers' ESG performance, benefits and risks, also continuously optimised the allocation of credit resources. The Bank increased support for clean energy, power system renovation, carbon emission reduction technologies, clean and efficient utilisation of coal, etc. Furthermore, the Bank strictly controlled enterprises or projects with high pressure on environmental protection and high energy consumption, adopted various policies based on the classification, and proactively improved the credit structure. The Bank also made good use of the supporting tools for carbon emission reduction as well as coal-supporting special loan policies.

The Bank maintained rapid growth in green credit business and outstanding development in green bond business. As at the end of the Reporting Period, the balance of green loans for domestic banks[11] was 822.042 billion, representing an increase of 186.610 billion, or 29.37% over the end of the previous year; of which, the clean energy loans was 205.252 billion, representing an increase of 66.218 billion, or 47.63% over the end of the previous year, the growth rates were higher than those of various loans for the same period; the balance of investments in green bonds was 20.077 billion, representing an increase of 8.173 billion, or 68.66% over the end of the previous year. The main underwriting of green bonds (including carbon neutral bonds) amounted to RMB8.39 billion, a year-on-year increase of 17.1%. The Bank, as one of the top four institutions, entered into the first pledged repurchase transaction for the support of green business through the interbank market local currency trading platform, with the green projects supported by the incorporated funds being in line with the Common Classification Catalogue of China and Europe.

11 From the A3327 Statements issued by PBOC.

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In terms of green bond issuance, domestic green financial bonds of RMB30 billion were issued during the Reporting Period. This actively supported the development of green industries such as energy conservation and environmental protection, clean production, clean energy, and green infrastructure upgrading. The Green Bond Framework of Bank of Communications Co., Ltd. was formulated and published to further support the Bank's issuance of green bonds in the international market, with the Hong Kong Branch successfully issuing the Bank's first offshore green bond in accordance with the framework in August, with a size of USD500 million.

Make good use of the People's Bank of China's carbon emission reduction support tools to help achieve the goals of carbon peak and carbon neutrality. The Bank was approved a total of RMB12.826 billion in funding for carbon-emission-reduction support tools as at the end of 2023, and RMB27.845 billion in re-lending was used to support the clean and efficient utilisation of coal. In 2023, a total of RMB4.935 billion of carbon-emission-reduction loans that met the requirements of PBOC were issued to 74 projects, with a weighted average loan interest rate of 3.14%, resulting in a carbon reduction amount equivalent to 1,227,300 tons of carbon dioxide. Since obtaining the carbon-emission-reduction support tools in 2021, a total of RMB21.377 billion of carbon-emission-reduction loans were issued to 427 projects, with a weighted average loan interest rate of 3.47%, resulting in a carbon reduction amount equivalent to 4,188,100 tons of carbon dioxide.

Adhering to the concept of green development, the Group's subsidiaries have been assisting in the green and low-carbon transformation and development of the economy through a variety of means, including green leasing, issuance of ESG-themed products, issuance of green insurance debenture schemes, investment in green bonds, and the securitisation of green assets.

BOCOM Financial Leasing Co., Ltd. During the Reporting Period, 50% of the company's shipping leasing business was allocated to ships that met the latest EEDI III (Energy Efficiency Design Index Phase III) standards; 100% of new technology models were allocated to the aviation leasing business for the first time during the year; financial leasing support was provided for the world's largest "green hydrogen+" coal-to-olefins project; the company successfully issued our first green financial bond of RMB3 billion; the first LNG ship financing loan linked to the sustainable development index of a financial leasing company was made available. As at the end of the Reporting Period, calculated with the specific standards of the National Administration of Financial Regulation for green finance, the balance of green leasing assets was nearly RMB140 billion, accounting for 40%. We were awarded the "ESG Practice in Banking Industry – Green Finance Model Award" by China Banking and Insurance News, the "2023 Most Influential Green Financial Leasing Enterprise Brand Award" by Xinhua News, and other awards in the field of green finance.

BOCOM Wealth Management Co., Ltd. The company directed more social capital flows into the green and low-carbon sectors through the issuance of ESG-themed strategic products. We provided financial support for the green transformation of enterprises as well as green industries such as energy conservation and environmental protection, clean energy, and clean transport. During the Reporting Period, four new ESG-themed strategy products were issued, with a total size of RMB4.8 billion; the total size of existing ESG-themed strategy products was RMB6.38 billion as at the end of the Reporting Period. In terms of product types, the company offered both closed-end and open-end ESG-themed strategic products to meet the different liquidity and revenue requirements of banking customers, and to guide investors in establishing the concept of green and low-carbon investment. In terms of bond investment, as of the end of the Reporting Period, the balance of the company's ESG green-related bond investment was RMB12.736 billion, representing an increase of 76.47% over the end of the previous year.

BOCOM MSIG Life Insurance Co., Ltd. The company supported the development of green finance through equity investments, the allocation of green local government bonds, debt investment, and product issuance. As at the end of the Reporting Period, the company had invested in green financial products a balance of RMB5.246 billion; the asset management subsidiary issued four green insurance debenture scheme products with a total registered size of RMB5.132 billion and realised RMB2.782 billion of fund placements during the year.

BOCOM International Trust Co., Ltd. During the Reporting Period, two new green asset securitisation projects with a total size of RMB1.9 billion were added, and about RMB1.2 billion was added to green bond investment and other green financial businesses.

(II) Green services

With the active application of digital technology tools, the Bank developed various online financial service channels to provide green, low-carbon, high-quality and convenient financial services for customers. During the Reporting Period, the channel diversion rate of the Bank's electronic banking services was 98.09%.

	2023	2022	2021
Channel diversion rate of the Bank's electronic banking services (%)	**98.09**	97.96	97.90

(III) Green procurement

The Bank integrated green concepts into the procurement system and processes, took "energy-saving and environmental protection" as one of the measurement factors for products and services to be procured, and actively conveyed green ideas to suppliers, giving priority to the procurement of energy-saving and environmentally friendly products. We strongly promoted digital procurement, optimised and revamped the smart procurement system, launched the construction of the electronic bidding sub-system, and actively implemented online contract signing and printing, in an effort to enhance the quality and efficiency of green procurement.

II SOCIAL RESPONSIBILITY

(I) Consumer right protection service

The Bank actively acted on the political and people-oriented requirements of protecting the interests and rights of financial consumers, continuously improving the system and mechanism of protecting consumers' rights and interests, focusing on solving the hot issues of concern to financial consumers, continuously improving the capability and level of financial services, and effectively protecting the legitimate rights and interests of financial consumers.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

During the Reporting Period, nine systems and measures, including the Consumer Rights and Interests Protection Policy of Bank of Communications Co., Ltd. and the Administrative Measures for Handling Complaints of Bank of Communications Co., Ltd., were formulated and revised to promote the effective protection of consumer rights and interests throughout the Bank by improving their top-level design. By focusing on key groups, such as the elderly, young people, new citizens, farmers and disabled people, online and offline activities were carried out with the help of digital technology, third-party media platforms and cross-border cooperation, so as to enhance the innovative nature of education and publicity. The Bank held various education and publicity activities, including "3-15" Consumer Rights and Interests Protection Education and Publicity Week, "A Million Walk of Financial Literacy in the Banking Sector" and "Financial Consumer Rights and Interests Protection Education and Publicity Month".

During the Reporting Period, the Bank processed 225 thousand complaints from financial consumers, and all the complaints were properly handled. The complaints from financial customers mainly involved businesses related to credit cards, debit cards and personal loans and were filed from areas like Shanghai, Guangdong Province, Jiangsu Province and Shandong Province. During the year, the Bank was engaged in resolution of 8,063 financial disputes in total, of which 3,903 were successful, representing a mediation success rate of 48.4 per cent.

During the Reporting Period, the Bank was awarded Grade A for the Consumer Protection Assessment of the People's Bank of China for the year 2022, and 10 outlets were awarded the "Top 100 Demonstration Units of Civilised and Standardised Service in Banking Business Outlets" by the China Banking Association, accounting for 10% of the total number of outlets awarded in the industry.

(II) Charitable donations

The Bank actively fulfilled corporate social responsibilities, participated in the social public welfare undertakings, and performed characteristic community welfare activities in the direction of helping the elderly, the disabled, disaster relief and children caring. During the Reporting Period, the charitable donation expenditure amounted to 58.3622 million, focusing on supporting the consolidation of poverty elimination and rural revitalisation, long-term public welfare projects, and sudden emergency donations. A total of 278 public welfare project were carried out by the Bank, and the accumulative volunteer services reached 389,936 hours.

(III) Services for inclusive small and micro enterprises

Please refer to the section of "Business Review".

III. RURAL REVITALISATION

(I) Financial Support for Rural Revitalisation

The Bank continues to innovate rural financial services, increase financial support in key areas, strengthen policy protection, and actively improve the accessibility of credit in the "three rural areas".

The Bank strengthened financial services for leading and chained enterprises in the grain industry along with the list of enterprises in the national seed industry to ensure national food security. We actively worked on the priority list of the Ministry of Agriculture and Rural Affairs to ensure our business implementation in the areas of transformation and the upgrading of water conservancy facilities, the construction of smart agricultural demonstration zones, ecological comprehensive management, and other major agricultural and rural infrastructure projects. We strengthened financial support for industries with special advantages in key counties to receive assistance and poverty-alleviation areas.

The Bank enriched the supply of agriculture-related financial products. We continued to optimise the "Xingnong e-Loan" product to protect the financing needs of agricultural business entities, and innovated and launched special products for agricultural scenarios such as farming loans for Jiangsu Crab, the Jilin Hongben Loan, the Shanghai Shennong e-Loan, and the Sichuan Farming Loan. Relying on the achievements of the credit system construction of new agricultural entities and the function of online scene customisation, we have realised complete online application, verification, approval, withdrawal and repayment service processes. As at the end of the Reporting Period, the Bank issued 3,123,600 Rural Revitalisation Theme Cards, representing a net increase of 1,394,100 cards from the beginning of the year.

The Bank enhanced its financial service capacity at the county level. We have achieved direct connection with the Ministry of Agriculture and Rural Affairs credit platform and set up a special area for the rural revitalisation services of "BoCom Yinongtong" in multiple channels, such as BoCom apps and mobile banking, providing comprehensive financial services such as financing, settlement, shopping malls, and information. We increased the construction of county outlets and set up the first, or moderately add to, outlets in well-developed counties. We also enhanced the integrated service capacity of online and offline channels for county finance through the financial service model of physical outlets and "BOCOM On-cloud". As at the end of the Reporting Period, the Bank's balance of agriculture-related loans was RMB978.137 billion, a net increase of RMB194.392 billion or 24.80% over the beginning of the year.

(II) Paired Assistance

In the strict compliance with the requirements of "abstaining from shirking responsibilities, repealing policies, ceasing assistance, and neglecting regulation" after poverty alleviation, the Bank continued to provide paired assistance to Tianzhu County in Gansu Province, Litang County in Sichuan Province (a state-level key county for rural revitalisation) and Hunyuan County in Shanxi Province. We continued to step up our efforts of paired assistance as well as select, manage and take care of paired assistance cadres to create a group of "leading geese" to lead the masses out of poverty and promote rural revitalisation in a comprehensive manner.

We leveraged the advantages held by the financial industry and called for the joint efforts of social forces. We prevented the rural area from falling to the bottom line of poverty by continuously making efforts around the five major areas in revitalisation, so as to form a strong synergy for consolidating and expanding the results of poverty alleviation and comprehensively pushing forward the revitalisation of the countryside.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

We innovated modes of assistance. By upholding the vision of "one county, one industry and one village, one product", the Bank developed characteristic industries that increased public wealth in counties according to local conditions. The Bank also provided assistance to industries such as the mushroom industry chain and fodder pasture in Tianzhu County, warehousing, logistics and guesthouses in Litang County, and astragalus mongholicus planting in Hunyuan County. We also launched an online channel to implement the "Good Products in the Countryside, Bank of Communications Helps Revitalisation" campaign, helping farmers increase their income through live-streaming activities and broaden the channels for consumer supporting. In Tianzhu County, a charitable trust was set up to promote education support; in Litang County, a smart beehive adoption project was developed online with the empowerment of science and technology; and in Hunyuan County, an equity investment fund partnership was created to help attract investment.

Throughout the year, we completed various assistance tasks by investing RMB26 million in supporting funds, introducing supporting funds (including pro bono and bono) of RMB19,197,400, providing RMB33,536,700 of consumer support, training 4,169 trainees from targeted counties, with the balance of loan amounted to RMB262,233,800

I. Financial Services for Rural Revitalisation	*(In 100 million of RMB)*
Agriculture-related loan	9,781.37
Net increase from the beginning of the year	1,943.92
Growth rate	24.80%
II. Amount of Investment in Paired Assistance Counties	*(In 10 thousand of RMB)*
1. Investment in pro bono supporting funds	2,600
Growth rate	4%
2. Introduction of pro bono supporting funds	919.74
Growth rate	6.18%
3. Number of grass-roots cadres, rural revitalisation leaders and professionals trained	4,169
Growth rate	10.2%
4. Purchase of agricultural products from paired assistance regions	1,119.75
Growth rate	6.11%
5. Sales of agricultural products from paired assistance regions	2,233.92
Growth rate	4.08%
6. Number of assisting projects or enterprises introduced	7
7. Amount of investments introduced	16,528

Note: The "paired assistance" in the table refers to the assistance work conducted by the Bank in areas of Tianzhu County in Gansu Province, Hunyuan County in Shanxi Province and Litang County in Sichuan Province.

In 2024, the Bank will continue to maintain the overall stability of our rural revitalisation and paired assistance policies, as well as our teams and capabilities. We will leverage on the advantages of fintech to continuously increase financial support in rural revitalisation, learn and apply experience gained from the "Ten Million Project", improve the quality and effectiveness of rural revitalisation services and consolidate and expand the results of poverty alleviation. We will bring out the "five priorities" of finance in rural revitalisation to display the spirit of BoCom.

I. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not involved in any material[12] litigation and arbitration. As at the end of the Reporting Period, the Group was involved in certain outstanding litigations/arbitrations as defendant or third party with an amount of approximately 1.480 billion.

II. PUNISHMENT

During the Reporting Period, neither the Bank, nor any of its Directors, Supervisors or Senior Management was subject to any investigation by competent authorities, any enforcement measures by judiciary authorities, any transferring to the judiciary authorities for criminal responsibilities, any investigation or administrative penalty by the CSRC, any prohibition from access to market or disqualification, any material administrative penalty by administrative departments including environmental, safety supervision and tax departments and any other administrative departments, or any situations of being suspected of serious violations of discipline and law or job-related crimes, being detained by the discipline inspection and supervision organ, being unable to perform duties and being taken administrative supervision measures by the CSRC or disciplinary sanctions by the stock exchange and being subject to public sanctions by statutory or regulatory bodies.

III. INTEGRITY

During the Reporting Period, neither did the Group refuse to execute any court orders nor fail to settle any significant due debts involving litigation.

IV. RELATED PARTY TRANSACTIONS

(I) Related Party Transactions

During the Reporting Period, the Bank entered into some significant related party transactions with related parties – Bank of Communications Financial Leasing Co., Ltd. ("Bank of Communications Financial Leasing"), Rong Kong United Finance Co., Limited ("Rong Kong United"), Bocom Leasing Management Hong Kong Company Limited ("Bocom Leasing Management") and Bocom Leasing Development Hong Kong Company Limited ("Bocom Leasing Development"), under regulatory standards of the NFRA. The 6th and 9th meeting of the 10th Board of Directors of the Bank deliberated and approved the above transaction respectively, based on which the Independent Non-executive Directors issued written opinions before submitting for deliberation. The six independent directors all believed that the above transactions met the requirements of the regulatory authorities on fairness and compliance of related party transactions and had fulfilled the business review and approval procedures. In accordance with *Measures for the Administration of Related Party Transactions of Banking and Insurance Institutions*, the Bank shall disclose the transactions one by one on its website within 15 working days after the signing of the contract, and report to the regulator in the meantime. The details are as follows:

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12 based on "Any litigation that commercial banks involved in, each of which the amount exceeded 1% of the equity attributable to shareholders of the Bank from the audited consolidated financial statements of the previous year, shall be announced in a timely manner" from Article 19 of《Announcement on Promulgation of the Rules No. 26 on the Preparation of Information Disclosure by Companies Offering Securities to the Public – Special Rules on Information Disclosure by Commercial Banks》.

SIGNIFICANT EVENTS

1. Basic information of related parties

① Bank of Communications Financial Leasing

Bank of Communications Financial Leasing was established in Shanghai in December 2007 with an initial registered capital of RMB2 billion, and after several capital increases, it now has a registered capital of RMB20 billion, with the registered address on Floors 28 and 29, No. 333, Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone, and the legal representative is Xu Bin. The company is a a state-owned non-bank financial institution, and the Bank has always maintained its wholly-owned controlling position in Bank of Communications Financial Leasing. The business scope of the Company includes: financial leasing business, accepting lease deposits from lessees, fixed income securities investment business, transferring and accepting financial lease assets, absorbing time deposits (for more than 3 months (inclusive)) of non-bank shareholders, interbank lending, borrowing from financial institutions, overseas borrowing, sale and disposal business of leased properties, economic consulting, setting up project companies in domestic bonded areas to carry out financial leasing business, and providing guarantees for external financing of holding subsidiaries and project companies.

② Rong Kong United Finance

Established in Hong Kong in February 2015, Rong Kong United Finance is indirectly wholly owned by Bank of Communications Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank. The registered capital is 1 Hong Kong dollar, the registered place is 1/F., Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong, PRC, and the directors of the company are Cai Zichu and Wang Jing.

③ Bocom Leasing Management

Established in Hong Kong in October 2015, Bocom Leasing Management is indirectly wholly owned by Bank of Communications Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank. The directors of the company are Fan Linna, Wu Xuechen and Gong Meng.

④ Bocom Leasing Development

Established in Hong Kong in October 2015, Bocom Leasing Management is indirectly wholly owned by Bank of Communications Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank. The directors of the company are Wang Jing, Wu Xuechen and Mao Libi.

2. Related Party Transactions

① Pursuant to the resolution of the Board of Directors, the Bank has signed two contracts with Bank of Communications Financial Leasing, as follows:

Opening of domestic letter of credit contracts. The contract amount is RMB12 billion, exceeding 1% of the Bank's net capital at the end of 2022; the contract period is 402 days, and the business period does not exceed one year; the specific fees and charges are in accordance with the relevant laws, rules, regulations, supervisory provisions and the Bank's published "Directory of Service Charges of the Bank of Communications", which is valid at that time.

Opening of a banker's acceptance bill contract. The contract amount is RMB6 billion, and the combined amount with the above mentioned contracts for opening domestic letters of credit exceeds 1% of the Bank's net capital at the end of 2022; the contract period is 401 days, and the business period is not more than 6 months; the acceptance handling fee is charged at 0.5 per thousand of the face amount of the bill of exchange, and the rate of the off-balance sheet exposure management fee is subject to the negotiation between the two parties.

In negotiating the transaction prices for specific transactions under the aforesaid contracts, the parties will follow the market-based pricing principle and make reference to the prices quoted by the Bank to customers of the same type and at the same level, or the prices quoted by third-party banks to BOCOM Financial Leasing Co., Ltd. for the same type of business.

② According to the resolution of the Board of Directors, the Bank signed an interbank loan contract with Rong Kong United Finance, with the contract amount of USD1.6 billion, accounting for about 1% of the Bank's net capital at the end of 2022. The term of the contract is 249 days and the maximum business period is not more than 1 year; the currencies include US dollar, euro, Hong Kong dollar, Japanese yen, Australian dollar and pound sterling; and the interest rate of the borrowing is separately agreed in the withdrawal application. The negotiation between the two parties to the transaction to determine the borrowing interest rate will follow the market-based pricing principle, with reference to the market transaction price or quotation for the same period.

③ According to the resolution of the Board of Directors, the Bank and its offshore branches signed eight loan contracts with Bocom Leasing Management, with a total agreement amount of USD4.73 billion and a maximum business term of three years. After the signing of the agreements, the cumulative transaction amount exceeded 5 per cent of the Bank's net capital as at the end of June 2023.

④ According to the resolution of the Board of Directors, the Bank and its offshore branches signed three loan contracts with Bocom Leasing Development, with a total agreement amount of USD3.8 billion and a maximum business term of three years. After the signing of the agreements, the cumulative transaction amount exceeded 5 per cent of the Bank's net capital as at the end of June 2023.

The Keepwell Deed for the above business is provided by BoCom Financial Leasing. The pricing follows the market-oriented pricing principle, being not superior to the pricing for similar business conducted with non-related parties or the pricing for similar business conducted by interbank financial institutions with the above institutions. The specific interest rate shall be determined by negotiation between the parties to the transaction according to the above pricing policy at each round of fund withdrawal.

SIGNIFICANT EVENTS

(II) Uniform Trading Agreement

During the Reporting Period, the Bank entered into a Uniform Trading Agreement with the Bank of Communications International Trust Co., Ltd. ("BoCom International Trust"), a related party under the Administrative Measures on Related-party Transactions of Banking and Insurance Institutions. The aforesaid transaction was approved at the 10th meeting of the 10th Session of Board of Directors of the Bank.

1. Basic information of related parties

BoCom International Trust was founded in June 1981 with a registered capital of RMB5.765 billion. The Bank holds 85% of shares in BoCom International Trust, with the remaining 15% being held by Hubei Communications Investment Group Co., Ltd. The business scope of BoCom International Trust includes fund trusts, movable property trusts, real estate trusts, marketable securities trusts, other property or property rights trusts, and the conduct of investment as the initiator of investment funds or a fund management company.

2. Related Party Transactions

Pursuant to the resolution of the Board of Directors, the Bank entered into a Uniform Trading Agreement with BoCom International Trust on the related party transactions for services that occur continuously over a substantial period of time and require the repeated signing of transaction agreements, including: custody services, marketing services, asset securitisation underwriting services, lending services, and advisory services provided by the Bank to BoCom International Trust, charged on the Bank's rates; entrusted management services, asset securitisation issuance, and entrusted services provided by BoCom International Trust to the Bank, charged on the BoCom International Trust's rates. The term of the Agreement is 3 years from the date of signing. The upper limit for the total amount of services provided during the term is RMB8.368 billion. The pricing policies for transactions conducted under the Agreement follow commercial principles to ensure that the requirements of fair pricing are met. The conditions and pricing of specific business shall be determined by the business agreement separately entered into by both parties in accordance with the pricing principles set out in the Agreement.

V. MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATIONS THEREUNDER

(I) Material Trust, Sub-contract and Lease

During the Reporting Period, the Bank did not hold in trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, and no other corporation held in trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets.

(II) Material Guarantees

The provision of guarantees was one of the off-balance sheet businesses carried out by the Bank in its ordinary and usual course of business. During the Reporting Period, the Bank did not provide any material guarantees that need to be disclosed except for the financial guarantee services within the business scope as approved by the regulatory authority.

VI. THE BOARD OF DIRECTORS' STATEMENT ON CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR ACCOUNTING METHODS

Please refer to Note 2. Summary of Significant Accounting Policies - (3) Changes in accounting policies to the Financial Statements for major changes in accounting policies during the Reporting Period.

VII. OTHER SIGNIFICANT EVENTS

(I) In accordance with the regulatory requirements and business development needs, the Bank and HSBC have entered into the Master Interbank Transaction Agreement to regulate various transactions carried out by both parties in their daily banking business, which is valid for three years. For details, please refer to the announcement dated 29 May 2023 issued by the Bank.

(II) Bank of Communications Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, has obtained approval from the regulator for the transfer of RMB6 billion of undistributed profits to registered capital. After the transfer, the registered capital of Bank of Communications Financial Leasing Co. will be RMB20 billion. For related details, please refer to the announcement the Bank published on 15 June 2023.

(III) The Bank's revised Articles of Association became effective once regulatory approval had been obtained, while the amended Procedural Rules of the Shareholders' General Meeting, the Procedural Rules of the Board of Directors and the Procedural Rules of the Board of Supervisors of the Bank became effective simultaneously. For related details, please refer to the announcement published by the Bank on 16 October 2023.

(IV) The Bank issued 30 billion of tier-2 capital bonds in the national interbank bond market. For related details, please refer to the announcement the Bank published on 17 November 2023.

(V) As approved by the Bank's first Extraordinary General Meeting of Shareholders in 2020, as of December 2023, the Bank had completed the capital increase for the Bank of Communications (Hong Kong) Limited by accumulatively injecting HKD20 billion. For related details, please refer to the announcement published by the Bank on 6 December 2023.

The above announcements were published on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

ORGANISATION CHART AND LIST OF INSTITUTIONS

Head Office (40 departments)

FinTech Sector

- ●FinTech Department/Digital Transformation Office
- ●Data Management and Application Department
- ●Software Development Centre
  - ○Software Development Centre (Shenzhen)
  - ○Software Development Centre (Beijing)
- ●Data Centre (System Operation Centre)
- ●Test Centre
- ●Institute for Fintech Innovation and Research

General Management Sector

- ●Office of the Board of Directors
- ●Office of the Board of Supervisors
- ●General Administration Office
- ●Human Resources Department
- ●Corporate Culture Department
- ●The CPC Committee of the Head Office
- ●Financial Management Department
  - ○Centralised Procurement Department
- ●Equity and Investment Management Department
- ●Operations and Channel Management Department/Safety and Security Department
- ●Risk Management Department
  - ○Risk Measurement Centre
- ●Legal and Compliance Department
  - ○Anti-Money Laundering Centre
- ●Non-Performing Asset Management Department
- ●Credit Management Department
- ●Credit Approval Department
  - ○Credit Approval Centre (Beijing)

Business Operation Management Sector

- ●Corporate and Institutional Banking Department
  - ○Strategic Client Department
- ●Aging Finance Department
- ●International Banking Department/Offshore Banking Centre
  - ○International Settlement Centre
- ●Inclusive Finance Department/Rural Revitalisation Finance Department
- ●Asset Custody Department
  - ○Asset Custody Operation Centre
- ●Investment Banking Department/Management Headquarters for the Integrated Development of Yangtze River Delta
- ●Personal Banking Department/Customer Rights Protection Department
- ●Retail Credit Business Department
- ●Private Banking Department
- ●Pacific Credit Card Centre
- ●Internet Finance Department
- ●Financial Institutions Department (Commercial Paper Centre)/Asset Management Centre
- ●Global Markets Department (Precious Metals Centre)
  - ○Financial Market Trading Centre

Support Sector

- ●Internal Audit and Supervision Bureau
  - ▲Sub-bureau of Internal Audit and Supervision Beijing
  - ▲Sub-bureau of Internal Audit and Supervision Shanghai
  - ▲Sub-bureau of Internal Audit and Supervision Guangzhou
  - ▲Sub-bureau of Internal Audit and Supervision Wuhan
  - ▲Sub-bureau of Internal Audit and Supervision Chengdu
  - ▲Sub-bureau of Internal Audit and Supervision Shenyang
- ●Office of Inspection Tours/Inspection Team
- ●Retirement Service Department
- ●General Affairs Department
- ●Development and Research Department
  - ○Financial Research Centre
- ●Research and Training Centre
- ●Financial Service Centre/Business Operation Department
  - ▲Financial Services Centre (Wuhan)
  - ○Financial Services Centre (Nanning)
  - ○Financial Services Centre (Hefei)
  - ○Financial Services Centre (Yangzhou)

Note: 1. ● The primary unit of the Head Office ▲ The deputy departmental level institution of the primary unit
○ The departmental level institution of the primary unit

ORGANISATION CHART AND LIST OF INSTITUTIONS

Domestic Branches

- 38 provincial branches directly managed by the head office
  - 215 branches managed by provinces
  - 2,834 business outlets

Overseas Branches and Subsidiaries

- Hong Kong Branch
- Bank of Communications (Hong Kong) Limited
- New York Branch
  - San Francisco Branch
- Tokyo Branch
- Singapore Branch
- Seoul Branch
- Frankfurt Branch
- Macau Branch
- Ho Chi Minh City Branch
- Sydney Branch
  - Brisbane Branch
  - Melbourne Branch
- Taipei Branch
- London Branch
- Toronto Representative Office
- Luxembourg Branch
- Bank of Communications (Luxembourg) S.A.
- Bank of Communications (Luxembourg) S.A. Paris Branch
- Bank of Communications (Luxembourg) S.A. Rome Branch
- Banco BoCom BBM S.A.
- Prague Branch
- Johannesburg Branch

Major Holdings Companies

- BOCOM Financial Leasing Co., Ltd.
- BOCOM Financial Asset Investment Co., Ltd.
- BOCOM Wealth Management Co., Ltd
- BOCOM Schroder Fund Management Co., Ltd.
- BOCOM International Trust Co., Ltd.
- BOCOM MSIG Life Insurance Co., Ltd.
- BOCOM International Holdings Co., Ltd.
- China BOCOM Insurance Co., Ltd.

Rural Banks

- Dayi BOCOM Xingmin Rural Bank Co., Ltd.
- Zhejiang Anji BOCOM Rural Bank Co., Ltd.
- Xinjiang Shihezi BOCOM Rural Bank Co., Ltd.
- QingDao Laoshan BOCOM Rural Bank Co., Ltd.

ORGANISATION CHART AND LIST OF INSTITUTIONS

LIST OF DOMESTIC PROVINCIAL BRANCHES AND DIRECTLY MANAGED BRANCHES OF HEAD OFFICE

Region	Name	Address
Yangtze River Delta	Shanghai Branch	No. 200 Jiangxi Middle Road, Huangpu District, Shanghai
	Jiangsu Provincial Branch	No. 218 Lushan Road, Jianye District, Nanjing City, Jiangsu Province
	Suzhou Branch	No. 28 Suhui Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province
	Wuxi Branch	No. 8 Second Jinrong Street, Binhu District, Wuxi City, Jiangsu Province
	Zhejiang Provincial Branch	No. 1-39 Juyuan Road, Jianggan District, Hangzhou City, Zhejiang Province
	Ningbo Branch	No. 455 Haiyan North Road, Yinzhou District, Ningbo City, Zhejiang Province
	Anhui Provincial Branch	Intersection of Huizhou Avenue and Jialingjiang Road, Baohe District, Hefei City, Anhui Province
Pearl River Delta	Fujian Provincial Branch	No. 116 Hudong Road, Gulou District, Fuzhou City, Fujian Province
	Xiamen Branch	No. 9-1 Hubin Middle Road, Siming District, Xiamen City, Fujian Province
	Guangdong Provincial Branch	No. 11 Xiancun Road, Tianhe District, Guangzhou City, Guangdong Province
	Shenzhen Branch	No.3018 Shennan Middle Road, Futian District, Shenzhen City, Guangdong Province

ORGANISATION CHART AND LIST OF INSTITUTIONS

Region	Name	Address
Bohai Rim Econimic Zone	Beijing Branch	No. 22 Jinrong Street, Xicheng District, Beijing
	Tianjin Branch	No. 7 Youyi Road, Hexi District, Tianjin City
	Hebei Provincial Branch	No. 26 Ziqiang Road, Qiaoxi District, Shijiazhuang City, Hebei Province
	Shandong Provincial Branch	Building 4, No.156 Shenzhen Road, Laoshan District, Qingdao, Shandong Province
	Qingdao Branch	No. 6 Zhongshan Road, Shinan District, Qingdao City, Shandong Province
Central China	Shanxi Provincial Branch	No. 5 Qingnian Road, Yingze District, Taiyuan City, Shanxi Province
	Jiangxi Provincial Branch	No. 199 Huizhan Road, Honggutan New District, Nanchang City, Jiangxi Province
	Henan Provincial Branch	No. 11 Zhenghua Road, Jinshui District, Zhengzhou City, Henan Province
	Hubei Provincial Branch	No. 847 Jianshe Avenue, Jianghan District, Wuhan City, Hubei Province
	Hunan Provincial Branch	No. 447 Wuyi Avenue, Furong District, Changsha City, Hunan Province
	Guangxi Zhuang Autonomous Region Branch	Office Building No.1, Nanning Urban Construction Group Headquarters Lot Project, No.15 Yunying Road, Liangqing District, Nanning City, Guangxi Zhuang Autonomous Region
	Hainan Provincial Branch	No. 45 Guomao Avenue, Longhua District, Haikou City, Hainan Province

ORGANISATION CHART AND LIST OF INSTITUTIONS

Region	Name	Address
Western China	Inner Mongolia Autonomous Region Branch	No. 18 Xinhua East Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region
	Chongqing Branch	No. 3 Jiangbei City West Street, Jiangbei District, Chongqing City
	Sichuan Provincial Branch	No. 211 West Yulong Street, Qingyang District, Chengdu City, Sichuan Province
	Guizhou Provincial Branch	East Third Tower, Financial City, Guanshanhu District, Guiyang City, Guizhou Province
	Yunnan Provincial Branch	No. 397 Baita Road, Panlong District, Kunming City, Yunnan Province
	Tibet Autonomous Region Branch	101 and 102, 1st floor, south of National Road 318 and west of Financial Road, Jinxiyuan, Dunzhu Financial City, Tibet Autonomous Region
	Shaanxi Provincial Branch	No. 88 Xixin Street, Xincheng District, Xi'an City, Shaanxi Province
	Gansu Provincial Branch	No. 129 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province
	Ningxia Hui Autonomous Region Branch	No. 64 Ning'an Street, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region
	Xinjiang Uygur Autonomous Region Branch	No. 16 Dongfeng Road, Tianshan District, Urumqi, Xinjiang Uygur Autonomous Region
	Qinghai Provincial Branch	No. 67 Wusi West Road, Chengxi District, Xining City, Qinghai Province
North Eastern China	Liaoning Provincial Branch	No. 258-1 Shifu Road, Shenhe District, Shenyang City, Liaoning Province
	Dalian Branch	No. 6 Zhongshan Square, Zhongshan District, Dalian City, Liaoning Province
	Jilin Provincial Branch	No. 3535 Renmin Street, Chaoyang District, Changchun City, Jilin Province
	Heilongjiang Provincial Branch	No. 428 Youyi Road, Daoli District, Harbin City, Heilongjiang Province

Note: For the address and contact information of the business outlets of the Bank, please visit the Bank's official website (www.bankcomm.com) and click on "Branch Inquiry" for relevant information.

LIST OF OVERSEAS BANKING INSTITUTIONS

Name	Address
Hong Kong Branch/Bank of Communications (Hong Kong) Limited	Unit B B/F & G/F, Unit C G/F, 1 – 3/F, 16/F Room 01 & 18/F, Wheelock House, 20 Pedder Street, Central, Hong Kong
New York Branch	ONE EXCHANGE PLAZA 55 BROADWAY, 31ST & 32ND FLOOR, NEW YORK NY 10006-3008, U.S.A.
San Francisco Branch	575 MARKET STREET, 38th FLOOR, SAN FRANCISCO, CA 94105, U.S.A.
Tokyo Branch	SANYO Group Building, 1-3-5 Nihombashi, Chuo-ku, Tokyo, Japan
Singapore Branch	128 Beach Road #25-01 Guoco Midtown, Singapore 189733
Seoul Branch	6th DouZone Tower. #29, Eulji-ro, Jung-Gu, Seoul, 04523, Korea
Frankfurt Branch	Neue Mainzer Strasse 75, 60311 Frankfurt am Main, Germany
Macau Branch	16th Floor, AIA Tower, No. 251A-301, Avenida Commercial De Macau
Ho Chi Minh City Branch	17th floor, Vincom Center, 72 Le Thanh Ton, Dist.1, HCMC, VN
Sydney Branch	Level 23, 60 Martin Place, Sydney NSW2000, Australia
Brisbane Branch	Level 35, 71 Eagle Street, Brisbane QLD4000, Australia
Melbourne Branch	Level 34 Rialto South Tower, 525 Collins Street, Melbourne VIC, 3000, Australia
Taipei Branch	A Wing, 29th Floor, No. 7, Section 5, Xinyi Road, Taipei (101 Tower), Taiwan
London Branch	4th Floor, 1 Bartholomew Lane, London EC2N 2AX UK
Luxemburg Branch/Bank of Communications (Luxembourg) Co., Ltd.	7 Rue de la Chapelle, L-1325 Luxembourg, Luxembourg
Bank of Communications (Luxembourg) S.A. Paris Branch	90, Avenue des Champs-Elysees, 75008, Paris, France
Bank of Communications (Luxembourg) S.A. Rome Branch	3rd floor, Piazza Barberini 52, Rome. 00187, Italy
Bank of Communications (Brazil) Co., Ltd.	Av Barão de Tefé, 34-20th, Rio de Janeiro, Brazil, 20220-460
Prague Branch	7th floor, RUSTONKA R2, Rohanske nabrezi 693/10, Prague 8, 186 00, Czech Republic
Johannesburg Branch	140 West St, Sandown, Sandton, 2196, Johannesburg, South Africa
Toronto Representative Office	Suite 2460, 22 Adelaide Street West, Toronto, ON M5H 4E3, Canada

ORGANISATION CHART AND LIST OF INSTITUTIONS

LIST OF MAJOR SUBSIDIARIES

Name	Address
Bank of Communications Schroder Fund Management Co., Ltd.	No. 8 Century Avenue, Pudong New District, Shanghai
Bank of Communications International Trust Co., Ltd.	No. 847 Jianshe Avenue, Wuhan
Bank of Communications Financial Leasing Co., Ltd.	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
BOCOM MSIG Life Insurance Company Limited	22-23/F, No. 333 Lujiazui Ring Road, Pudong New Area, Shanghai
BOCOM International Holdings Company Limited	No. 68 Des Voeux Road Central, Central, Hong Kong
China BoCom Insurance Co., Ltd.	No. 8 Cotton Tree Drive, Central, Hong Kong
BoCom Financial Asset Investment Co., Ltd.	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
BoCom Wealth Management Co., Ltd.	8-9/F, No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
Dayi BoCom Xingmin Rural Bank Co., Ltd.	No. 168-170 Central Fumin Road, Dayi County, Chengdu City, Sichuan Province
Zhejiang Anji BoCom Rural Bank Co., Ltd.	Tower 1, Changshuo Square, Changshuo Street, Anji County, Huzhou City, Zhejiang Province
Xinjiang Shihezi BoCom Rural Bank Co., Ltd.	No. 127 Dongyi Road, Shihezi, Xinjiang Uygur Autonomous Region
Qingdao Laoshan BoCom Rural Bank Co., Ltd.	Room 101, Building 1, No. 156 Shenzhen Road, Laoshan District, Qingdao, Shandong

APPENDIX – INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bank of Communications Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Bank of Communications Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 167 to 307, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("the Code"), together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Expected credit impairment allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees

Refer to the accounting policy in "Note 2(5)(a) Financial instrument – Impairment, Note 2(32)(a) Significant accounting estimates and judgements – Measurement of ECL", and "Note 19 Loans and advances to customers, Note 20 Financial investments, Note 31(1) Other liabilities – expected credit impairment allowance of credit related commitments and financial guarantees, Note 9 Credit impairment losses, Note 3(1) Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The Group uses an expected credit loss ("ECL") model to measure the loss allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees in accordance with International Financial Reporting Standard 9, Financial instruments. The determination of ECL allowance of loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees is subject to the application of a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Extensive management judgment is involved in the selection of those parameters and the application of the assumptions.	Our audit procedures to assess ECL allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees included the following: • with the assistance of KPMG's IT specialists, understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the credit approval, recording, monitoring, the credit risk staging, ECL model update and the measurement of ECL allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees. • with the assistance of KPMG's financial risk management specialists, assessing the appropriateness of the ECL model used to determine the loss allowances and the appropriateness of the key parameters and assumptions in the model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other adjustments, and assessing the appropriateness of related key management judgment.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS *(Continued)*

Expected credit impairment allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees (Continued)

Refer to the accounting policy in "Note 2(5)(a) Financial instrument – Impairment, Note 2(32)(a) Significant accounting estimates and judgements – Measurement of ECL", and "Note 19 Loans and advances to customers, Note 20 Financial investments, Note 31(1) Other liabilities – expected credit impairment allowance of credit related commitments and financial guarantees, Note 9 Credit impairment losses, Note 3(1) Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
The determination of the ECL allowance is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The ECL allowance for corporate loans and advances, financial investments at amortised cost, credit related commitments to corporates and financial guarantees are derived from estimates including historical losses, internal and external credit grading and other factors. The ECL allowance for personal loans and advances and credit related commitments to individuals are derived from estimates whereby management takes into consideration historical overdue data, historical loss experience and other factors.	• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we inquired the reasons for management's revisions to estimates and input parameters, compared with prior period and considered the consistency of judgement. • comparing the macroeconomic forward-looking information used in the model with market information to assess whether they were aligned with market and economic development. • assessing the completeness and accuracy of key data used in the ECL model. For key internal data, we compared the total balance of the loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees used by management to assess the ECL allowance with the general ledger to check the completeness of the data. We also selected samples to compare information of individual loan and advance to customers, financial investment at amortised cost, credit related commitment and financial guarantee with the underlying agreements and other related documentation. In addition, we checked the accuracy of key external data used by management by comparing them with public sources.

KEY AUDIT MATTERS *(Continued)*

Expected credit impairment allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees (Continued)

Refer to the accounting policy in "Note 2(5)(a) Financial instrument – Impairment, Note 2(32)(a) Significant accounting estimates and judgements – Measurement of ECL", and "Note 19 Loans and advances to customers, Note 20 Financial investments, Note 31(1) Other liabilities – expected credit impairment allowance of credit related commitments and financial guarantees, Note 9 Credit impairment losses, Note 3(1) Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include the financial situation of the borrower, the guarantee type, the seniority of the claim, the recoverable amount of any collaterals, and repayment sources of the borrower. Management refers to valuation reports of collaterals issued by qualified third party valuers and considers the impact of various factors including the market price, status and use when assessing the value of collaterals. The enforceability, timing and means of realisation of the collateral also have an impact on the recoverable amount of the collateral.	• for key parameters used in the ECL model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved KPMG's IT specialists to assess the logics and compilation of the loans and advances' overdue information on a sample basis. • evaluating the reasonableness of management's assessment on whether the credit risk of loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees has, or has not, increased significantly since initial recognition and whether the mentioned financial instruments are credit-impaired. We assessed the staging of corporate loans and advances, financial investments at amortised cost, corporate credit related commitments and financial guarantees by industry sectors and used a risk-based approach to select samples in industries which are more vulnerable to the current economic situation and samples which met specific risk criteria. We checked overdue information, made enquiries of the client managers about the borrowers' business operations, inspected borrowers' financial information and researched about borrowers' businesses, to check the credit risk of the borrower, and the reasonableness of the risk stage.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS *(Continued)*

Expected credit impairment allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees (Continued)

Refer to the accounting policy in "Note 2(5)(a) Financial instrument – Impairment, Note 2(32)(a) Significant accounting estimates and judgements – Measurement of ECL", and "Note 19 Loans and advances to customers, Note 20 Financial investments, Note 31(1) Other liabilities – expected credit impairment allowance of credit related commitments and financial guarantees, Note 9 Credit impairment losses, Note 3(1) Credit risk" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
We identified the measurement of ECL allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.	• evaluating the reasonableness of loss given default for credit-impaired corporate loans and advances, financial investments at amortised cost, corporate credit related commitments and financial guarantees. We selected samples to evaluate the recoverable amount by considering the financial situation of the borrower, the guarantee type, the seniority of the claim, the recoverable amount of collateral, and repayment sources of the borrower. Evaluating management's assessment based on the category, condition and use of the collateral. For valuation reports of collateral issued by qualified third party valuers, we evaluated the competence, capabilities and objectivity of the external appraiser. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, considered the viability of the Group's recovery plans. • selecting samples and assessing the accuracy of the Group's calculation on the ECL allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees. • assessing the reasonableness of the disclosures in the financial statements in relation to the ECL allowance for loans and advances to customers, financial investments at amortised cost, credit related commitments and financial guarantees against prevailing accounting standards.

KEY AUDIT MATTERS *(Continued)*

Consolidation assessment of structured entities

Refer to the accounting policy in "Note 2(4)(c) Structured entities, Note 2(32)(d) Significant accounting estimates and judgements – Consolidation of structured entities", and "Note 42 Structured entities, Note 43 Unconsolidated structured entities" to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire an ownership interest in a structured entity, through initiating, managing and/or investing in trust investment plans, asset management plans, funds and wealth management products ("WMPs"). The Group may also retain partial interests in assets due to guarantees or securitisation structures. The Group is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether the Group retain any partial interests in a structured entity or should consolidate a structured entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions. We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and the nature of each entity.	Our audit procedures to assess the measurement of interests in and consolidation of structured entities included the following: • assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over measurement of interests in and consolidation of structured entities. • selecting significant structured entities of each key product type and performing the following procedures: – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; – inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity; – inspecting management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to affect its own returns from the structured entity; – assessing management's judgement over whether the structured entity should be consolidated or not. • assessing the reasonableness of the disclosures in the financial statements in relation to the measurement of interests in and consolidation of structured entities against prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS *(Continued)*

Valuation of financial assets measured at fair value classified as level 3

Refer to the accounting policy in "Note 2(5) Financial instrument, Note 2(32)(b) Significant accounting estimates and judgements – Fair value of financial instruments", and "Note 3(4) Fair value of financial assets and liabilities" to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
Convertible bonds, unlisted equities, unlisted funds, certain trusts and asset management plans, equity derivatives, etc, held by the Group, whose fair value are determined based on certain unobservable inputs, were classified by the Group as level 3 in fair value measurement. Management determines the fair value of these financial assets using a variety of techniques. The valuation methods mainly include discounted cash flows and comparable company, involving various unobservable inputs such as objective company's cash flow, risk-adjusted discount rate, price to book value ratio, price to earning ratio and liquidity discounts, etc. We identified valuation of financial assets measured at fair value classified as level 3 instruments' fair value as a key audit matter because of the amount of these financial assets are significant, and because of the degree of complexity involved in the valuation techniques and significant judgement is required to be exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the valuation of financial assets measured at fair value classified as level 3 included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the application of valuation models and front office and back office reconciliations for financial assets measured at fair value classified as level 3. • with the assistance of KPMG's financial risk management specialists and on a sample basis, obtaining an understanding of the valuation method used by management (including whether there is any change in the valuation method in this year) and assessing whether the valuation method selected is appropriate with reference to the prevailing accounting standards. with the assistance of KPMG's financial risk management specialists and on a sample basis, obtaining inputs independently and assessing the reasonableness of the inputs applied by management by comparing the results of our own valuations with that of management. • assessing the reasonableness of the disclosures in the consolidated financial statements in relation to financial assets measured at fair value classified as level 3 against prevailing accounting standards, including fair value hierarchy information, etc..

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Siu Tung.

Certified Public Accountants

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

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

	Note	2023	2022 (Restated)
Interest income		**459,861**	418,067
Interest expense		**(295,738)**	(248,185)
Net interest income	4	**164,123**	169,882
Fee and commission income	5	**47,148**	49,339
Fee and commission expense	6	**(4,144)**	(4,484)
Net fee and commission income		**43,004**	44,855
Net gains arising from trading activities	7	**23,224**	17,607
Net gains arising from financial investments		**727**	494
Including: Net gains on derecognition of financial assets measured at amortised cost		***40***	*64*
Share of profits of associates and joint ventures		**356**	292
Other operating income	8	**26,580**	24,216
Net operating income		**258,014**	257,346
Credit impairment losses	9	**(56,908)**	(60,411)
Other assets impairment losses	10	**(1,062)**	(1,897)
Other operating expenses	11	**(100,346)**	(96,923)
Profit before tax		**99,698**	98,115
Income tax	14	**(6,446)**	(6,160)
Net profit for the year		**93,252**	91,955

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

	Note	2023	2022 (Restated)
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity		***7,534***	*(7,737)*
Amount reclassified to profit or loss		***(664)***	*(669)*
Expected credit losses of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity		***1,089***	*1,219*
Amount reclassified to profit or loss		**–**	–
Effective portion of gains or losses on hedging instruments in cash flow hedges			
Amount recognised in equity		***(660)***	*2,004*
Amount reclassified to profit or loss		***50***	*(1,204)*
Translation differences for foreign operations		**2,152**	8,562
Others		**(2,367)**	(641)
Subtotal		**7,134**	1,534
Items that will not be reclassified subsequently to profit or loss:			
Actuarial losses on pension benefits		**33**	(34)
Changes in fair value of equity investments designated at fair value through other comprehensive income		**988**	(1,214)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss		**458**	(133)
Others		**(313)**	(19)
Subtotal		**1,166**	(1,400)
Other comprehensive income, net of tax	40	**8,300**	134
Total comprehensive income for the year		**101,552**	92,089
Net profit attributable to:			
Shareholders of the parent company		**92,728**	92,102
Non-controlling interests		**524**	(147)
		93,252	91,955
Total comprehensive income attributable to:			
Shareholders of the parent company		**100,862**	92,122
Non-controlling interests		**690**	(33)
		101,552	92,089
Basic and diluted earnings per share for profit attributable to holders of ordinary shares of the parent company (in RMB yuan)	15	**1.15**	1.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

	Note	As at 31 December 2023	As at 31 December 2022 (Restated)
ASSETS			
Cash and balances with central banks	16	**898,022**	806,102
Due from and placements with banks and other financial institutions	17	**859,642**	690,421
Derivative financial assets	18	**67,387**	69,687
Loans and advances to customers	19	**7,772,060**	7,135,454
Financial investments at fair value through profit or loss	20	**642,282**	705,357
Financial investments at amortised cost	20	**2,573,911**	2,450,775
Financial investments at fair value through other comprehensive income	20	**887,949**	799,075
Investments in associates and joint ventures	22	**8,990**	8,750
Property and equipment	23	**217,751**	194,169
Deferred tax assets	24	**40,379**	39,512
Other assets	25	**92,099**	92,269
Total assets		**14,060,472**	12,991,571
LIABILITIES AND EQUITY			
LIABILITIES			
Due to and placements from banks and other financial institutions	26	**2,424,537**	2,034,894
Financial liabilities at fair value through profit or loss	27	**56,557**	47,949
Derivative financial liabilities	18	**50,975**	46,804
Deposits from customers	28	**8,551,215**	7,949,072
Certificates of deposits issued	29	**1,027,461**	1,092,366
Income tax payable		**4,538**	3,937
Debt securities issued	30	**592,175**	530,861
Deferred tax liabilities	24	**2,407**	1,786
Other liabilities	31	**251,157**	250,380
Total liabilities		**12,961,022**	11,958,049
EQUITY			
Share capital	32	**74,263**	74,263
Other equity instruments	33	**174,790**	174,790
Including: Preference shares		***44,952***	*44,952*
Perpetual bonds		***129,838***	*129,838*
Capital surplus	32	**111,428**	111,429
Other reserves	34	**400,805**	368,808
Retained earnings	34	**326,744**	292,734
Equity attributable to shareholders of the parent company		**1,088,030**	1,022,024
Equity attributable to non-controlling interests of ordinary shares		**7,912**	8,040
Equity attributable to non-controlling interests of other equity instruments		**3,508**	3,458
Non-controlling interests	36	**11,420**	11,498
Total equity		**1,099,450**	1,033,522
Total equity and liabilities		**14,060,472**	12,991,571

The consolidated financial statements were approved and authorised for issuance by the Board of Directors on 27 March 2024 and signed on its behalf by:

Ren Deqi
Chairman and Executive Director

Liu Jun
Vice Chairman, Executive Director and President

The accompanying notes form a part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

	Equity attributable to shareholders of the parent company															Non-controlling interests		
		Other equity instruments			Other reserves													
	Share capital Note 32	Preference Share Note 33	Perpetual bonds Note 33	Capital surplus Note 32	Statutory reserve Note 34	Discretionary surplus reserve Note 34	Statutory general reserve Note 34	Revaluation reserve and impairment for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings Notes 34,35	Attributable to the shareholders of the parent company	Attributable to ordinary shares	Attributable to other equity instruments Note 33	Total
As at 31 December 2022 (Restated)	74,263	44,952	129,838	111,429	88,154	140,182	144,541	(6,664)	(157)	693	1,164	(121)	1,016	292,734	1,022,024	8,040	3,458	1,033,522
Impact of adoption of accounting policies amendments	–	–	–	–	–	–	–	191	–	–	–	–	–	127	318	190	–	508
As at 1 January 2023	**74,263**	**44,952**	**129,838**	**111,429**	**88,154**	**140,182**	**144,541**	**(6,473)**	**(157)**	**693**	**1,164**	**(121)**	**1,016**	**292,861**	**1,022,342**	**8,230**	**3,458**	**1,034,030**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,880**	**458**	**(609)**	**2,050**	**33**	**(1,678)**	**92,728**	**100,862**	**509**	**181**	**101,552**
Dividends paid to ordinary shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(27,700)**	**(27,700)**	**(308)**	**-**	**(28,008)**
Dividends paid to preference shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,832)**	**(1,832)**	**-**	**-**	**(1,832)**
Interest paid to perpetual bond holders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,641)**	**(5,641)**	**-**	**-**	**(5,641)**
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(131)**	**(131)**
Transfer to reserves	**-**	**-**	**-**	**-**	**9,073**	**217**	**14,512**	**-**	**-**	**-**	**-**	**-**	**-**	**(23,802)**	**-**	**-**	**-**	**-**
Transfer of other comprehensive income to retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(130)**	**-**	**-**	**-**	**-**	**-**	**130**	**-**	**-**	**-**	**-**
Others	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(519)**	**-**	**(520)**
As at 31 December 2023	**74,263**	**44,952**	**129,838**	**111,428**	**97,227**	**140,399**	**159,053**	**1,277**	**301**	**84**	**3,214**	**(88)**	**(662)**	**326,744**	**1,088,030**	**7,912**	**3,508**	**1,099,450**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2022

(All amounts expressed in millions of RMB unless otherwise stated)

	Equity attributable to shareholders of the parent company															Non-controlling interests		
		Other equity instruments				Other reserves												
	Share capital Note 32	Preference Share Note 33	Perpetual bonds Note 33	Capital surplus Note 32	Statutory reserve Note 34	Discretionary surplus reserve Note 34	Statutory general reserve Note 34	Revaluation reserve and impairment for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings Notes 34,35	Attributable to the shareholders of the parent company	Attributable to ordinary shares	Attributable to other equity instruments Note 33	Total
As at 1 January 2022 (Restated)	74,263	44,952	129,838	111,428	79,967	140,022	130,280	1,530	(24)	(104)	(6,884)	(87)	1,379	257,187	963,747	8,881	3,165	975,793
Total comprehensive income	-	-	-	-	-	-	-	(8,295)	(133)	797	8,048	(34)	(363)	92,102	92,122	(445)	412	92,089
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(26,363)	(26,363)	(396)	-	(26,759)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,832)	(1,832)	-	-	(1,832)
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,651)	(5,651)	-	-	(5,651)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(119)	(119)
Transfer to reserves	-	-	-	-	8,187	160	14,261	-	-	-	-	-	-	(22,608)	-	-	-	-
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	101	-	-	-	-	-	(101)	-	-	-	-
Others	-	-	-	1	-	-	-	-	-	-	-	-	-	-	1	-	-	1
As at 31 December 2022	74,263	44,952	129,838	111,429	88,154	140,182	144,541	(6,664)	(157)	693	1,164	(121)	1,016	292,734	1,022,024	8,040	3,458	1,033,522

The accompanying notes form a part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

	Note	2023	2022 (Restated)
Cash flows from operating activities:			
Profit before tax:		**99,698**	98,115
Adjustments for:			
Provision for credit impairment losses		**56,908**	60,411
Provision for other assets impairment losses		**1,062**	1,897
Depreciation and amortisation		**18,279**	16,150
(Reversal)/provision for outstanding litigation and unsettled obligation		**(14)**	56
Net gains on the disposal of property, equipment and other assets		**(793)**	(739)
Interest income from financial investments		**(111,647)**	(97,311)
Fair value net (gains)/losses		**(5,304)**	4,171
Net gains on investments in associates and joint ventures		**(356)**	(292)
Net gains on financial investments		**(193)**	(494)
Interest expense on debt securities issued		**16,395**	15,807
Interest expense on lease liabilities		**147**	179
Operating cash flows before movements in operating assets and liabilities		**74,182**	97,950
Net increase in balances with central banks		**(7,027)**	(57,272)
Net (increase)/decrease in due from and placements with banks and other financial institutions		**(222,855)**	6,251
Net increase in loans and advances to customers		**(678,863)**	(741,007)
Net decrease/(increase) in financial assets at fair value through profit or loss		**68,810**	(86,355)
Net decrease/(increase) in other assets		**8,378**	(11,755)
Net increase in due to and placements from banks and other financial institutions		**399,145**	78,740
Net decrease in financial liabilities at fair value through profit or loss		**(8,510)**	(5,357)
Net increase in deposits from customers and certificates of deposits issued		**487,415**	1,012,585
Net increase in other liabilities		**23,345**	87,181
Net increase/(decrease) in value-added tax and other taxes payable		**472**	(829)
Income tax paid		**(7,169)**	(11,911)
Net cash flows generated from operating activities		**137,323**	368,221

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

	Note	**2023**	2022 (Restated)
Cash flows from investing activities:			
Cash payment for investment in subsidiaries, associated ventures and joint ventures		**–**	(2,780)
Cash payments for financial investments		**(1,203,846)**	(1,232,873)
Cash received on disposal or redemption of financial investments		**1,013,044**	879,650
Dividends received		**744**	870
Interest received from financial investments		**111,423**	94,863
Acquisition of intangible assets and other assets		**(2,450)**	(2,094)
Cash received from the sale of intangible assets and other assets		**25**	11
Acquisition of property, equipment		**(45,141)**	(29,561)
Cash received from disposal of property, equipment		**9,578**	7,017
Net cash flows used in investing activities		**(116,623)**	(284,897)
Cash flows from financing activities:			
Proceeds from issue of debt securities		**196,102**	182,492
Repayment of principals of debt securities issued		**(137,871)**	(163,432)
Payment of interest on debt securities		**(15,092)**	(15,384)
Repayment of principal and interest of lease liabilities		**(2,514)**	(2,581)
Dividends paid		**(35,298)**	(33,555)
Dividends paid to non-controlling interests		**(439)**	(515)
Net cash flows generated/(used in) from financing activities		**4,888**	(32,975)
Effect of exchange rate changes on cash and cash equivalents		**1,070**	4,146
Net increase in cash and cash equivalents		**26,658**	54,495
Cash and cash equivalents at the beginning of the year		**248,803**	194,308
Cash and cash equivalents at the end of the year	41	**275,461**	248,803
Net cash flows from operating activities include:			
Interest received		**350,078**	323,364
Interest paid		**(241,668)**	(201,693)

The accompanying notes form a part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

1 GENERAL

Bank of Communications Co., Ltd. (the "Bank") is a national state-owned joint-stock commercial bank, headquartered and registered in Shanghai, which was reorganized on 1 April 1987 upon the approval of Notice Guo Fa (1986) No. 81 issued by the State Council of the PRC and Notice Yin Fa (1987) No. 40 issued by the People's Bank of China (the "PBOC").

The principal activities of the Bank and its subsidiaries (the "Group") include corporate and personal banking services, interbank and financial market business, financial leasing, fund management, wealth management, trustees, insurance, overseas securities, debt-to-equity swap and other related financial services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the "IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirement of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(3) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(2) Basis of preparation of the financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property which are measured at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2(32).

The financial statements are presented in RMB, rounded to the nearest million, which is the functional currency of the Group.

(3) Changes in accounting policies

(a) Standards and amendments effective in 2023 relevant to and adopted by the Group

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

(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Changes in accounting policies *(Continued)*

(a) Standards and amendments effective in 2023 relevant to and adopted by the Group *(Continued)*

		Note
IFRS 17	Insurance Contracts	(i)
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	(ii)
Amendments to IAS 8	Definition of Accounting Estimates	(iii)
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	(iv)
Amendments to IAS 12	International tax reform – Pillar Two model rules	(v)

(i) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. Amendments to IFRS 17 were issued in June 2020 and December 2021 to address stakeholder concerns and implementation challenges. IFRS 17 sets out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers.

In accordance with IFRS 17, the Group: (1) adjusted the recognition principles for insurance revenue. Insurance revenue will be recognized over the coverage period based on the provision of services, and the investment component and other non-insurance services that can be clearly distinguished will be split from the insurance contract. The premium corresponding to the investment component, other non-insurance services and the inseparable investment component were excluded from the insurance revenue; (2) revised the measurement of insurance contract liabilities, including revising measurement models for insurance contracts, revising the measurement of contractual service margin ("CSM"), the methods for measuring CSM at the transition date, and the method for determining the discount rate of insurance contract liabilities, etc.

The Group adopted IFRS 17 on 1 January 2023. According to the transitional provisions of IFRS 17, for insurance contracts that occurred before the the transition date (1 January 2023) of which measurements were not was in inconformity to IFRS 17, the Group has made retrospective adjustments and recognised the cumulative effect as an adjustment to retained earnings and other equity items as at 1 January 2022, and comparative information was adjusted meanwhile. In addition, according to the transitional provisions of IFRS 17, the Group also reassessed the business model for managing financial assets and revoked the previous designation, to reclass the category and measurement of financial assets. The Group recognised the cumulative effect as an adjustment to retained earnings and other equity items as at 1 January 2023, without adjusting the comparative information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Changes in accounting policies *(Continued)*

(a) Standards and amendments effective in 2023 relevant to and adopted by the Group *(Continued)*

(i) IFRS 17: Insurance Contracts (Continued)

The effects of adopting IFRS 17 on each of the line items in the consolidated balance sheet as at 31 December 2022 are as follows:

	Before adjustments	Adjustments	After adjustments
ASSETS			
Loans and advances to customers	7,136,677	(1,223)	7,135,454
Deferred tax assets	38,771	741	39,512
Other assets	92,635	(366)	92,269
LIABILITIES			
Other liabilities	249,010	1,370	250,380
EQUITY			
Other reserves	369,259	(451)	368,808
Retained earnings	293,668	(934)	292,734
Equity attributable to non-controlling interests of ordinary shares	8,873	(833)	8,040

The effects of adopting IFRS 17 on each of the line items in the consolidated income statement for the year ended 31 December 2022 are as follows:

	Before adjustments	Adjustments	After adjustments
Net operating income	273,528	(16,182)	257,346
Other operating expenses	(113,005)	16,082	(96,923)
Net profit for the year	92,030	(75)	91,955
Other comprehensive income, net of tax	834	(700)	134

The Group adopted IFRS 17, recognising the cumulative effect of class and measurement of financial assets as an adjustment to retained earnings and other equity items as at 1 January 2023. The effects on each of the line items in the consolidated balance sheet as at 1 January 2023 are as follows:

	Before adjustments	Adjustments	After adjustments
ASSETS			
Financial investments at fair value through profit or loss	705,357	688	706,045
Financial investments at amortised cost	2,450,775	(19,151)	2,431,624
Financial investments at fair value through other comprehensive income	799,075	18,971	818,046
EQUITY			
Other reserves	368,808	191	368,999
Retained earnings	292,734	127	292,861
Equity attributable to non-controlling interests of ordinary shares	8,040	190	8,230

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Changes in accounting policies *(Continued)*

(a) Standards and amendments effective in 2023 relevant to and adopted by the Group *(Continued)*

(ii) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments clarify that an entity will be required to disclose its "material" accounting policy information as opposed to "significant" accounting policies and provide additional guidance on how to identify material accounting policy information. The amendments to IFRS Practice Statement 2 provide additional guidance and examples to explain and illustrate the application of the "four-step materiality process" to accounting policy information.

The adoption of this standard and amendment does not have a significant impact on the financial position or comprehensive income of the Group.

(iii) Amendments to IAS 8: Definition of Accounting Estimates

The amendments now define "accounting estimates" as "monetary amounts in financial statements that are subject to measurement uncertainty" and remove the definition of "a change in accounting estimate". The amendments also clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors.

The adoption of this standard and amendment does not have a significant impact on the financial position or comprehensive income of the Group.

(iv) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments specify how entities should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition. As a result, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The adoption of this standard and amendment does not have a significant impact on the financial position or comprehensive income of the Group.

(v) Amendments to IAS 12, International tax reform – Pillar Two model rules

The Group has adopted International Tax Reform-Pillar Two Model Rules-Amendments to IAS 12 upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules. The amendments also introduce disclosures requirements about such tax, including the estimated exposure to Pillar Two income tax. The recognition exception and disclosure about such exception are effective immediately upon issuance of the amendments. The other disclosure requirements are applicable to the annual periods beginning on or after 1 January 2023. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or officially implemented at 31 December 2023 in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the consolidated financial statements as at and for the year ending 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Changes in accounting policies *(Continued)*

(b) Standards and amendments relevant to the Group that are not yet effective in the current reporting period and have not been adopted before their effective dates by the Group

The Group has not adopted the following new or amended standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee, that have been issued but are not yet effective.

			Effective for annual periods beginning on or after	Note
(1)	Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	(i)
(2)	Amendments to IAS 1 (2020)	Classification of Liabilities as Current or Non-current	1 January 2024	(ii)
(3)	Amendments to IAS 1 (2022)	Non-current Liabilities with Covenants	1 January 2024	(ii)
(4)	Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024	(iii)
(5)	Amendments to IAS 21	Lack of exchangeability	1 January 2025	(iv)
(6)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred.	(v)

(i) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments add to the requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains, including cases with variable lease payments in the leaseback.

The Group anticipates that the adoption of the amendments will not have a significant impact on the consolidated financial statements.

(ii) Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

The amendments to IAS 1 (2020) concern the requirements on determining if a liability is current or non-current. In particular, the amendments specify the condition of an entity to classify a liability as non-current requires that a right to defer settlement must exist at the end of the reporting period and have substance, and clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement.

The amendments also specify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments. When a liability includes a counterparty conversion option that involves a transfer of the entity's own equity instruments, the classification of such liability is not affected only when the conversion option is recognised separately from the host liability as an equity component under IAS 32.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(3) Changes in accounting policies *(Continued)*

(b) Standards and amendments relevant to the Group that are not yet effective in the current reporting period and have not been adopted before their effective dates by the Group *(Continued)*

(ii) Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Continued)

The amendments to IAS 1 (2022) specify that only covenants with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, an entity is required to disclose information regarding the risk that the non-current liabilities subject to future covenants could become repayable within twelve months after the end of the reporting period.

The 2022 amendments defer the effective date of the 2020 amendments to annual reporting periods beginning on or after 1 January 2024. If an entity applies one of these two amendments for an earlier period, the other amendments should also be applied for that period.

The Group anticipates that the adoption of the amendments will not have a significant impact on the consolidated financial statements.

(iii) Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

The amendments contain disclosure requirements to enhance transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

The Group anticipates that the adoption of the amendments will not have a significant impact on the consolidated financial statements.

(iv) Amendments to IAS 21: Lack of exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability.

Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The Group anticipates that the adoption of the amendments will not have a significant impact on the consolidated financial statements.

(v) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(4) Consolidation

(a) Subsidiary undertakings

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are not consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred in a business combinations is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are recognised in the consolidated income statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition – date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the identifiable net assets of the acquiree in the case of a bargain purchase, the difference is recognised in profit or loss.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

For acquisition of additional interests in subsidiaries from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Loses control of a subsidiary due to the disposal of a portion of an equity investment, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive are reclassified to profit or loss and retained earning.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(4) Consolidation *(Continued)*

(c) Structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well-defined objective. Examples of structured entities include investment funds, trusts, securitisation vehicles and asset backed financings. Involvement with consolidated and unconsolidated structured entities is disclosed in Notes 42 and 43.

(d) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement through a separate entity, and have rights to the net assets of the arrangement based on legal form, contract terms, and other facts and circumstances. Joint control is the contractually agreed sharing of control over an activity, and exists only when the decisions relating to the activity require the unanimous consent of the Group and other parties sharing the control.

The results of an associate or a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, is recognised immediately in profit or loss.

At the end of reporting period, the Group assesses whether there is an indication of possible impairment with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested as a single asset for impairment in accordance with IAS 36 "Impairment of assets" by comparing its recoverable amount (the higher of value in use and fair value less costs of sale) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised only to the extent of interests in the associate or joint venture that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(4) Consolidation *(Continued)*

(e) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill at least once a year.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

(5) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss for the period. Immediately after initial recognition, an expected credit loss allowance is recognised for financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss for the period when an asset is newly originated.

The method of determining fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date. For financial instruments with active markets, the Group uses quotations from active markets to determine their fair value, and for financial instruments where there is no active market, the Group uses valuation techniques to determine its fair value. Valuation techniques include references to prices used in recent market transactions by parties familiar with the situation and voluntary transactions, the current fair value of other financial instruments with reference to the same substantially, the discounted cash flow method and the option pricing model.

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

***Measurement methods** (Continued)*

Amortised cost and effective interest rate (Continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

(a) Financial assets

Classification and subsequent measurement

The Group has classified its financial assets in the following measurement categories:

– Fair value through profit or loss (FVTPL);

– Fair value through other comprehensive income (FVOCI); or

– Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

– The Group's business model for managing the asset; and

– The cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured from these financial assets. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets (Continued)

Classification and subsequent measurement (Continued)

Debt instruments (Continued)

FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in 'Net gains arising from financial investments'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on the debt investment, which is measured at FVTPL and is not part of a hedging relationship, is recognised in profit or loss and presented as 'Net gains arising from trading activities'.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

When, and only when, the Group changes the business model for managing its financial assets, shall it reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets (Continued)

Classification and subsequent measurement (Continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (refer to Note 2(5)(b)); that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to sell. When this election is used, fair value gains or losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as 'Net gains arising from financial investments' when the Group's right to receive payments is established.

Gains or losses on equity investments at FVTPL are recognised as 'Net gains arising from trading activities'.

Impairment

On a forward-looking basis, the Group assesses the expected credit losses ('ECL') of debt instrument assets at amortised cost and FVOCI, exposures arising from credit related commitments and financial guarantees. The Group recognises a loss allowance accordingly at each reporting date.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value, discounted at effective interest rate or the credit-adjusted effective interest rate on purchased or originated credit-impaired financial assets, of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring ECLs of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Measurement of ECLs (Continued)

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for trade receivables and contract assets, the Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

– If the financial instrument is determined to have low credit risk at the balance sheet date;

– If the credit risk on a financial instrument has not increased significantly since initial recognition.

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on a financial instrument has increased significantly since initial recognition, whether a financial instrument is credit-impaired.

The definition of financial instruments three stages as follows:

Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.

Stage 3: For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Significant increases in credit risk (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

– Principal or interest of the instrument is more than 30 days past due;

– Credit rating of obligor changes significantly. Credit rating is based on both internal and external rating results, and the criteria are as follow:

(i) a significant increase in credit risk is determined when internal and external rating during the reporting period is below the Group's credit acceptance standards;

(ii) The non-retail assets' internal ratings are downgraded by 3 ranks or above upon initial recognition;

(iii) Significant adverse issues have negative impacts on obligator's repayment ability;

(iv) Other circumstances of significant increase in credit risk. For example, appearance of other risk alarm indicators which imply growing potential risk and could cause losses of financial assets to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Definition of credit-impaired and default

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

– Principal or interest of the asset is more than 90 days past due;

– The issuer or obligor is in significant financial difficulty, or has already become insolvent;

– It is becoming probable that the obligor will enter bankruptcy;

– An active market for that financial asset has disappeared because of financial difficulties of issuers;

– Other objective evidence indicating impairment of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Presentation of allowance for ECL

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instruments' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income. The Group recognises loss allowances for loan commitments and financial guarantee contracts that are not measured at FVTPL in contingent liabilities. (See Note 31(1)).

Write-off

The book value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

– If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

– Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.

– Significant extension of the loan term when the borrower is not in financial difficulty.

– Significant change in the interest rate.

– Change in the currency the loan is denominated in.

– Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets (Continued)

Modification of loans (Continued)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

– Has no obligation to make payments unless it collects equivalent amounts from the assets;

– Is prohibited from selling or pledging the assets; and

– Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach. Under this approach, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Group. The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

Asset securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which then issue securities to investors. The Group evaluates the extent to which it transfers the risks and rewards of ownership of the financial assets to the other party and determines whether it retains control while applying the accounting policy in respect of asset securitisation.

– The financial asset is derecognised when the Group transfers substantially all the risks and rewards of ownership of the financial asset.

– The financial asset continues to be recognised when the Group retains substantially all the risks and rewards of ownership of the financial asset.

– When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

– When the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and retains control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. The Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(b) Financial liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as liabilities measured at amortised cost, except for:

– Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

– Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; when continuing involvement approach applies, see note 2(5)(a); and

– Credit related commitments and financial guarantees (refer to Note 2 (29)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(b) Financial liabilities *(Continued)*

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is more than 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(c) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the hybrid (combined) instrument vary in a way similar to a stand-alone derivative. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

– The economic characteristics and risks are not closely related to those of the host contract;

– A separate instrument with the same terms would meet the definition of a derivative; and

– The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in "Net trading gains" in the income statement.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of hedging effectiveness both at hedge inception and on an ongoing basis, that is, the extent to which changes in the fair value or cash flow of the hedge instrument can offset the changes in fair values or cash flows of hedged items resulting from the hedge risk.

The hedging relationship should meet all of the following hedge effectiveness requirements:

– There is an economic relationship between the hedged item and the hedging instrument. That means the hedging instrument and hedged item have values that generally move in the opposite direction because of the same risk, which is the hedged risk;

– The effect of credit risk does not dominate the value changes that result from that economic relationship; and

– The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(c) Derivative financial instruments and hedge accounting *(Continued)*

Possible sources of ineffectiveness are as follows:

– Increase or decrease in the amounts of hedged items or hedging instruments;

– Significant changes in counterparties' credit risk.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, terminated or exercised (the replacement or rollover of a hedging instrument into another hedging instrument does not constitute an expiration or termination), or the hedging relationship ceases to meet the risk management objective, or to meet other qualifying criteria for hedging accounting.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit or loss, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss no later than when the hedged item ceases to be adjusted for hedging gains and losses over the period to maturity and recorded as net interest income.

(ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction, and could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are recycled to the statement of profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(5) Financial instruments *(Continued)*

(d) Offsetting financial assets and financial liabilities

When the Group has a currently enforceable legal right to offset recognised financial assets and financial liabilities, and intends either to settle on a net basis or to realise the financial asset and settle the financial liability at the same time, the financial assets and liabilities are offset with the net amount presented in the consolidated statement of financial position. Otherwise, financial assets and financial liabilities are presented separately. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(6) Interest income and expense

The "Interest income" and "Interest expense" in the Group's income statement are the interest income and expense calculated by using the effective interest method on debt investment at amortised cost, debt investment at fair value through other comprehensive income and financial liabilities at amortised cost, etc.

For those purchased or originated credit-impaired financial assets, the Group calculates the interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. For those financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the Group calculates the interest income by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

(7) Fee and commission income

Fee and commission income is recognised when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognises revenue when control is passed to the customer at a certain point in time. For the performance obligations satisfied over time, the Group recognises revenue according to the progress toward satisfaction of the obligation over the time.

(8) Dividend income

Dividends are recognised when the right to receive the dividends is established.

(9) Assets transferred under repurchase agreements

(a) Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date at a fixed or determinable price are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under "due to banks and other financial institutions" in the statement of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

(b) Financial assets purchased under repurchase agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under "due from banks and other financial institutions" in the statement of financial position. The difference between the purchasing price and reselling price is recognised as interest income during the term of the agreement using the effective interest method.

(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(9) Assets transferred under repurchase agreements *(Continued)*

(c) Securities lending

Securities lending transactions are generally secured, with collateral taking the form of securities or cash. Securities lent to counterparties by the Group are recorded in the consolidated financial statements. Securities borrowed from counterparties by the Group are not recognised in the consolidated financial statements of the Group. Cash collateral received or advanced is recognised as a liability or an asset in the consolidated financial statements.

(10) Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially and subsequently recognised at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss in the period in which they arise.

(11) Property and equipment

The Group's property and equipment mainly comprise buildings, construction in progress, equipment and transportation equipment.

The assets purchased or constructed are initially measured at acquisition cost.

Subsequent expenditures incurred for the property and equipment are included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Depreciation is calculated on a straight-line basis to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Buildings comprise primarily office premises. The estimated useful lives, depreciation rate and estimated residual value rate of buildings, equipment, transportation equipment and property improvement are as follows:

Type of assets	Estimated Useful lives	Estimated net Residual value	Annual depreciation rate
Buildings	25 – 50 years	3%	1.94% – 3.88%
Equipment	3 – 11 years	3%	8.82%-32.33%
Transportation equipment (excluding equipments under operating leases)	4 – 8 years	3%	12.13% – 24.25%
Equipments under operating leases	4 – 30 years	5% – 10%	3.00% – 23.75%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(11) Property and equipment *(Continued)*

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a property and equipment when it is ready for intended use.

Equipments under operating leases where the Group is the lessor is aircraft and vessel etc. The estimated useful lives and depreciation rate are determined considering their conditions and the estimated residual values are determined by external appraiser using historical data on an item-by-item basis.

(12) Foreclosed assets

Foreclosed financial assets are initially recognised at fair value, and foreclosed non-financial assets are initially recognised at cost. At the end of each reporting period, foreclosed non-financial assets are measured at the lower of the carrying amount and the net realisable value. When the net realisable value is lower than the carrying amount, an impairment allowance is recognised.

When a foreclosed asset is disposed, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

When a foreclosed asset needs to be transferred for own use, it is transferred at its carrying amount including the impairment allowance at the transition day.

Foreclosed assets of the Group mainly include buildings and land use rights.

(13) Land use rights

Land use rights are classified as other assets and amortised using the straight-line method over the lease term.

(14) Intangible assets

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of each reporting period, and makes adjustments when necessary.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(15) Investment property

Investment property is a property held to earn rentals or for capital appreciation or both and initially measured at cost.

As there is an active property market in the location in which the Group's investment property is situated, and the Group can obtain the market price and other relevant information regarding the same or similar type of property from the property market so as to reasonably estimate the fair value of the investment property; therefore, the Group uses the fair value model for subsequent measurement of the investment property, with changes in the fair value included in profit or loss for the period in which they arise.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

(16) Impairment of assets

The Group determines the impairment of assets, other than the impairment of deferred tax assets and financial assets, with the following methods:

The Group assesses at the balance sheet date whether there is any indication that assets may be impaired. If any indication that an asset may be impaired exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount based on the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets, and the cash inflows generated by a CGU are largely independent from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group at least annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. Under such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. Under such circumstances, the Group tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(16) Impairment of assets *(Continued)*

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(17) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

(a) The Group as Lessee

The Group recognises the right-of-use asset on the start date of the lease term and recognises the lease liability at the present value of the remaining lease payments. The lease payments include fixed payments and payments to be made when it is reasonably determined to exercise purchase option or terminate lease option. Variable rent determined based on a certain proportion of sales is not included in the lease payments and is recognised in profit or loss when incurred.

The Group's right-of-use assets include leased properties, venues, parking lots, advertising spaces, vehicles and equipment etc. The right-of-use asset is initially measured at cost, which includes the initial measurement of the lease liability, the lease payments already paid on or before the lease start date, the initial direct costs etc., and deducts any lease incentives received. The leased asset is depreciated on a straight-line basis over its remaining useful life if the Group could reasonably determine to obtain the ownership at the expiration of the lease term; if it is unsure whether the ownership of the leased asset can be obtained at the expiration of the lease term, the right-of-use asset is depreciated over the shorter of its remaining useful life and the lease term on a straight-line basis. When the recoverable value is lower than the book value of the right-of-use asset, the Group reduces the book value to the recoverable value.

For short-term leases with a lease term shorter than 12 months and leases of asset with low value when it is new, the Group recognises relevant rental expenses on a straight-line basis in profit or loss or in the related asset costs in each lease period rather than recognising the right-of-use assets or lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(17) Leases *(Continued)*

(a) The Group as Lessee *(Continued)*

The Group accounts for a modification to a finance lease as a separate lease if both:(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group remeasures the lease term and the lease liability by discounting the revised lease payments using a revised discount rate. The Group decreases the carrying amount of the right-of-use asset for lease modifications that decrease the scope or term of the lease, and recognised the gain or loss relating to the partial or full termination of the lease in profit or loss. The Group makes a corresponding adjustment to the right-of-use asset for all other lease modifications.

(b) The Group as Lessor

Operating Lease

When the Group leases out its own buildings and properties, equipment and transportation vehicles, the rental income arising from operating leases is recognised on a straight-line basis over the lease term. Variable rent gained by the Group is recognised in rental income when incurred.

Finance Lease

As lessor of the finance lease, the Group recognises the finance lease receivables for the finance lease on the commencement date of the lease period and derecognises the related assets. Finance lease receivables are recognised at the net lease investment to “Loans and advances to customers” for the initial measurement. The net lease investment is the sum of the unsecured residual value and the present value of the lease payments unreceived at the commencement date of the lease period discounted at the interest rate implicit in lease.

Finance lease receivables are derecognised when the contractual rights of receiving cash from the finance lease receivables have expired or have been transferred and all substantial risks and rewards regarding the lease have been transferred.

During the lease period, the lessor applies the fixed periodic interest rate to calculate the interest income for each period. Contingent rentals are recognised in profit or loss when incurred.

(18) Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with maturities of three months or less from the date of purchase under balances with central banks, due from banks and other financial institutions.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(19) Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

(20) Income taxes

Income tax represents the sum of the tax currently payable and deferred tax.

(a) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred income tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. Deferred tax is also not recognised for taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(20) Income taxes *(Continued)*

(b) Deferred income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income, in which case the current and deferred tax are also recognised in other comprehensive income.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(21) Share capital

(a) Share capital

Share capital comprises ordinary shares issued.

(b) Share issue costs

External costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

(22) Preference shares and perpetual bonds

At initial recognition preference shares and perpetual bonds issued by the Group are classified as financial liabilities or equity instruments based on their contractual terms and economic substance with reference to the definition of financial liabilities and equity instruments.

Preference shares and perpetual bonds issued by the Group that should be classified as equity instruments are recognised in equity based on the actual proceeds received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption amount is recognised as a deduction from equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(23) Dividend distribution

(a) Dividends on ordinary shares

Dividends on ordinary shares are recognised in the period in which they are declared and approved by the Bank's shareholders.

(b) Dividends on preference shares

Preference share dividend distribution is recognised as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

(c) Distribution on perpetual bonds

Perpetual bond interest distribution is recognised as a liability in the Group's and the Bank's financial statements in the period in which the interest distribution approved by the Board of Directors of the Bank.

(24) Acceptances

Acceptances comprise the Group's commitments on payment for bills that are issued to customers. Acceptances are accounted for as credit related commitments and financial guarantees and are disclosed as contingent liabilities and commitments.

(25) Staff costs and benefits

(a) Staff costs

Staff costs include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds, labor union fees as well as staff education expenses and housing allowance. During the reporting period in which employees have rendered services, the Group recognises the staff costs payable as a liability with a corresponding charge to profit or loss or the cost of assets where appropriate.

The Group participates in the employee social security systems established by the government, including medical insurance, housing funds and other social securities, in accordance with relevant requirements. Related expenses are recognised in profit or loss when incurred.

(b) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, post-employment benefits for the employees of the Group mainly include payment to basic retirement insurance, unemployment insurance, annuity plan and supplementary retirement benefits.

Basic retirement insurance

Employees of the Group have joined basic retirement insurance arranged by local ministry of labour and social security. The Group makes monthly contributions to the retirement insurance according to the base and proportion set by local government. When employees retire, local ministry of labour and social security is responsible for the payment of the basic pension to the retired employees. Such basic retirement insurance is a defined contribution plan. During the reporting period in which employees have rendered services, the Group recognises the amounts payable as a liability with a corresponding charge to profit or loss or the cost of assets where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(25) Staff costs and benefits *(Continued)*

(b) Post-employment benefits *(Continued)*

Annuity plan

Employees of domestic branches who retire at or after 1 January 2009 participate in the annuity plan established by the Group. The Group contributes a certain portion of employees' gross salaries to the annuity plan. Such annuity plan is a defined benefit plan. Related expenses are recognised in profit or loss when incurred.

Supplementary retirement benefits

The Group pays supplementary retirement benefits to employees of domestic branches who retired at or before 31 December 2008. Such supplementary retirement benefits are defined benefit plans. The Group accrues a liability based on actuarial techniques and recognises all actuarial gains or losses in other comprehensive income. Such actuarial gains or losses will not be reversed to profit or loss subsequently. Past service costs are recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability and recognised in profit or loss when incurred.

(c) Early retirement expenses

The Group pays the welfare benefits for employees, who have not yet reached the statutory retirement age limit and are approved by the Group to voluntarily retire from their employment, from the early retirement date to the statutory retirement age limit. These welfare benefits are recognised in profit or loss based on the discounted cash flow calculation over the implementation period. The Group reviews present value of the welfare benefits on each reporting date, with any changes recognised in profit or loss.

(26) Foreign currency translation

Renminbi ("RMB") is the currency of the primary economic environment in which the Bank and the Group's domestic subsidiaries operate. Therefore, the Bank and the Group's domestic subsidiaries choose RMB as their functional currency. The Bank and the Group's foreign subsidiaries choose their respective functional currencies on the basis of the primary economic environment in which they operate. The Group adopts RMB to prepare its consolidated financial statements.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

At the reporting date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the reporting date. Exchange differences arising from the differences between the spot exchange rates prevailing at the reporting date and those on initial recognition or at the previous reporting date are recognised in profit or loss for the period, except that (i) exchange differences related to hedging instruments for the purpose of hedging against foreign exchange risks are accounted for using hedge accounting; (ii) exchange differences arising from non-monetary items at fair value through other comprehensive income (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortised cost) of monetary items at fair value through other comprehensive income are recognised as other comprehensive income; and (iii) exchange differences arising on a foreign currency monetary item that forms part of the Bank's net investment in a foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(26) Foreign currency translation *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the spot exchange rates at the date of the transactions or a rate that approximates the spot exchange rates of the date of the transaction. Exchange differences arising, if any, are recognised in other comprehensive income.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation and foreign currency monetary items that form part of the net investment in such foreign operation attributable to the owners' equity of the Group and presented under shareholder's equity in the statement of financial position, to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to non-controlling interests and are not recognised in profit and loss. For partial disposals of equity interests in foreign operations which are associates and joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

(27) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(28) Insurance contracts

(a) Level of aggregation

Insurance contracts and investment contracts with DPF are aggregated into groups for measuring purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohorts into three groups:

(i) Any contracts that onerous on initial recognition;

(ii) Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and

(iii) Any remaining contracts in the annual cohort.

When a contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group in which future contracts may be added.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(28) Insurance contracts *(Continued)*

(b) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the Group.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services).

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash at a present or future date.

(c) Measurement – Insurance contracts and investment contracts with DPF

On initial recognition, the Group measures a group of contracts as the total of (a) fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Group's non-performance risk.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability of remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

(d) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the Group belongs. Insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums of each group.

Insurance acquisition cash flows that arise before the recognition of the related contracts are recognized as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimate of the present value of future cash flows as part of the measurement of the related contracts.

(29) Credit related commitments and financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(29) Credit related commitments and financial guarantees *(Continued)*

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For credit related commitments and financial guarantees, the loss allowance is recognised as an provision. However, for contracts that include both a loan and an undrawn commitment and the Group can not separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(30) Fiduciary activities

In activities where the Group acts in a fiduciary capacity such as trustee, custodian or agent, the assets and income arising from the transaction together with the related undertakings to return the assets to customers are excluded from the Group's consolidated financial statements.

The Group conducts entrusted lending for the third-party lenders. The Group grants loans to borrowers, as trustee, according to the instruction of the third-party lenders who fund these loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and does not provide funding for the corresponding entrusted funds, the entrusted loans are not recognised as assets and liabilities of the Group.

(31) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or Group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors and the senior management team represented by the governor as its chief operating decision maker.

An operating segment is a component of the Group with all of the following conditions are satisfied: (i) that component can earn revenues and incur expenses from ordinary activities; (ii) the component's operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (iii) discrete financial information for the component is available to the Group. If two or more operating segments have similar economic characteristics, and certain conditions are satisfied, they may be aggregated into a single operating segment. Intra-segment income and expenses are eliminated. Income and expenses directly associated with each segment are considered in determining segment performance.

The Group has the following segments: Head Office, Yangtze River Delta, Central China, Bohai Rim Economic Zone, Pearl River Delta, Western China, Northeastern China and Overseas.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(32) Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and of the Hong Kong Companies Ordinance require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Measurement of ECL

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, debt investment measured at fair value through other comprehensive income and credit related commitments and financial guarantees, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Note 3(1) specifies the parameters, assumptions and estimation techniques used in the measurement of expected credit loss and also discloses the sensitivity of expected credit losses to changes in these factors.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

– Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;

– Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;

– Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings;

– Management overlay adjustments due to significant uncertain factors not covered in the models; and

– The estimated future cash flows for loans and advances to customers and financial investments at amortised cost for which DCF model was used to calculate ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 3(1).

(b) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. To the extent practical, models use observable data such as interest rate yield curves, foreign currency rates and implied option volatilities, however areas such as credit risk (both own and counterparty's), volatilities and correlations require management to make estimates. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. Changes in assumptions about these factors could affect reported fair value of financial instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(32) Significant accounting estimates and judgements *(Continued)*

(c) Income taxes

The Group is subject to income tax various jurisdictions; principally, in Chinese Mainland and Hong Kong Special Administrative Region of the PRC. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has made estimates for application of tax legislation and items of uncertainty taking into account existing tax legislation and past practice. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

(d) Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

(e) Derecognition of financial assets

In judging whether the transaction in which a loan transfer through packaging and asset securitisation is consistent with the termination confirmation of a financial asset, the Group needs to assess whether the Group meets the criteria for the transfer of financial assets and whether almost all risks and rewards in the ownership of the loan are transferred. If there is neither a transfer nor a retention of almost all the risks and rewards on the ownership of the transferred loan, the Group will further assess whether control over the transferred loan has been retained. In assessing and judging, the Group has taken into account a wide range of factors, such as whether trading arrangements are accompanied by repurchase clauses. The Group sets situational assumptions and uses the future cash flow discount model for risk and compensation transfer testing. The Group derecognised the loan only if the loan has been transferred and almost all risks and benefits in ownership have been transferred to another subject. If the Group retains almost all the risks and rewards associated with the ownership of the transferred loan, it shall continue to confirm the loan and at the same time recognise the proceeds received as a financial liability. If the Group has neither transferred nor retained almost all of the risks and rewards in the ownership of the loan and has not waived its control over the loan, the financial assets concerned are recognised to the extent that the loan continues to be involved and the relevant liability is recognised accordingly.

(f) Impairment of non-financial assets

Non-financial assets are periodically reviewed for impairment by the Group and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the present value of the asset's expected future cash flow.

Fair value is usually based on market prices, and the management obtains it from professional appraisal agencies. Disposal costs include legal fees and taxes related to the asset disposal. When estimating the present value of the expected future cash flow of fixed assets leased out by the subsidiary, the management takes the rental amount agreed in the lease contract and the value of the assets at the end of the lease term as the basis for estimating future cash flows, and determines an appropriate discount rate for the calculation of the present value of future cash flows in various scenarios.

3 FINANCIAL RISK MANAGEMENT

Overview

The Group's operating activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of a certain degree of risks or a portfolio of risks. The Group's aim is to achieve an appropriate balance between risks and returns and minimise potential adverse effects on the Group's financial performance. The main types of financial risks are credit risk, liquidity risk, market risk, operational risk, etc.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, monitor the risks and to control the risk limits through reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets and products and the latest best practice.

Risk management framework

The Board of Directors sets out risk management strategies, overall risk preference and risk tolerance level. The senior management establishes risk management policies and procedures according to the strategies set by the Board of Directors. The Risk Management Department at Head Office serves as the chief department for the Group's risk management and leads the overall risk management duties, of which the crucial ones would be further designated to specific leading departments. The risk management division in each operation department at Head Office, in each domestic and overseas branch and in each subsidiary undertakes specific risk management function. Internal Audit Department is responsible for independent review of risk management and control environment.

(1) Credit risk

Credit risk is the risk of loss that a borrower or counterparty fails to or is unwilling to meet its obligations. Credit risk arises principally from loans and advances to customers, financial investments, derivative instruments and due from and placements with banks and other financial institutions. There is also credit risk in off-balance sheet items such as loan commitments, financial guarantees, acceptances and letters of credit. Credit risk is a major risk to which the Group is exposed. Therefore, the Group manages and controls the overall credit risk, integrated into the comprehensive risk management, in a prudent manner, and reports regularly to the Senior Management and the Board of Directors of the Group.

(a) Credit risk management

The Group's credit risk management is assumed by major functions such as Corporate and Institutional Banking Department, Inclusive Finance Department/Rural Revitalization Finance Department, Retail Credit Department, Pacific Credit Card Center, International Banking Department/Offshore Banking Center, Credit Management Department, Credit Approval Department, Risk Management Department, Non-Performing Asset Management Department, Financial institution Department (Commercial Papre Center)/Asset Management Center and Global Markets Department (Commercial Paper Center). They are responsible for the standardised management of corporate and retail credit businesses in terms of guidance on credit investment, credit investigation and report, credit approval, loan granting, post-loan management and non-performing loan management.

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3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(a) Credit risk management *(Continued)*

(i) Loans and advances to customers

As for corporate loans, the Group's relationship managers are responsible for receiving application files submitted by the applicants, conducting pre-loan investigation, assessing the credit risk, and raising the proposed rating. The Group adopts the hierarchical approval system at the branch and Head Office level based on the credit approval authority. Credit line is determined by taking into account the credit record, financial position, collaterals and guarantees of the applicant, overall credit risk of the credit portfolio, macroeconomic regulation and control policies and relevant laws and regulations. The Group keeps a close eye on the economic and financial trend and credit risk profile in the industry, provides more guidance on credit investment, formulate guidance for different industries, strengthens daily risk pre-warning, monitoring and specific risk investigation, identify customers under major risks and material potential risk points, enhances the refinement of post – loan management and centers on customer credit risk management to carry out post-loan management. The independent loan granting centre shall review the compliance, completeness and effectiveness of relevant credit files before loan granting according to the applications for drawdown of credit line. The Group's relationship managers are primarily responsible for post-loan management. The Group adopts a series of tools and approaches, such as risk monitoring, list management, risk warning and risk investigation, in daily risk monitoring of corporate loans. The Group manages non-performing loans mainly through (1) collection; (2) restructuring; (3) disposal of collaterals or recourse to the guarantors; (4) litigation or arbitration; (5) disposal.

For retail credit assets, the Group manages the overall risk profile of retail credit business through on-site review and adoption of reporting system on material matters, strengthens daily risk monitoring and pre-warning through optimising management system, standardises operation process of retail credit business through formulating business management system and combining relevant system function control, identifies and reveals material potential risks on a timely manner through strengthening risk monitoring and early-warning, and understands and forecasts the quality trends so as to adopt targeted risk control measures in advance by using stress testing and quality migration analysis. In addition, the Group continues to carry out fast response mechanism to address emergencies properly and maintains a list to manage those key risk projects through risk monitoring, guidance, collection and mitigation.

The Group adopts categorised management for retail credit assets on the basis of overdue ageing and guarantee type. With regard to retail credit customers with overdue loans, different approaches are adopted to collect such loans based on their overdue days.

Credit Card Centre of the Group is in charge of the operation and management of credit card business. Credit Card Centre of the Group adopts various supervisory and preventive measures. It reinforces data cross-validation to enhance risk prevention in the approval process, reduces risk exposure to high risk customers through customer classification and enters into the intervention process earlier than scheduled, effectively improves collection result through reasonable allocation of available resources, and optimises data analytic system to further enhance the management of credit card business.

(ii) Treasury business

For treasury business (including debt investments), the Group chooses banks and other financial institutions prudently and balances the credit risk and return rate of investments. By making reference to internal and external credit rating information, the Group approves credits of different levels and uses an appropriate credit limit management system to review and adjust credit lines, aiming to manage the credit risk exposed to the treasury business.

For debt securities, internal and external ratings (such as Standard and Poor's) are used by the Group when available for managing the credit risk exposed to debt securities and bills. The investment in those debts and bills is to have better credit quality assets while maintaining readily available liquidity resource. The bond issuers involved with the Group are subject to the credit granting review and approval of the Head Office and branch based on the credit approval authority and credit limits are placed on such issuers.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(a) Credit risk management (Continued)

(ii) Treasury business (Continued)

Debt investments other than debt securities include investments in fund trust schemes, asset management plans and wealth management products set up by banking financial institutions. The Group implements a rating system for accepting trust companies, securities companies and fund companies, sets credit limits for repurchase parties of trust beneficiary right, ultimate borrowers of targeted asset management plans, and issuers of inter-bank wealth management products, and carries out follow-up risk management on a regular basis.

As for derivative instruments, the Group maintains strict limits on net open derivative investment positions (i.e., the difference between long and short contracts), by both amount and maturity. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., assets where their fair value is positive), which, in relation to derivative instruments, is only a fraction of the contract's notional amount used to express the amount outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market fluctuations. Collateral is not usually obtained for credit risk exposures on these instruments, except when the Group requires margin deposits from counterparties. The management has set limits of these contracts according to counterparty, and regularly monitor and control the actual credit risk when the Group concludes foreign exchange and interest rate contracts with other financial institutions and clients.

The Group manages the credit quality of due from and placements with banks and other financial institutions, and balances arising from transactions for precious metals, by considering the size, financial position, the internal and external credit rating of the banks and other financial institutions. The Head Office monitors and reviews the credit risk of due from and placements with banks and other financial institutions by counterparties regularly. Limits are placed on different counterparties.

(iii) Credit-related commitments

Credit risk exposures to financial guarantees are the same as that of loans. However, commercial letters of credit are usually pledged by the relevant shipped goods, and therefore are subject to lower risk compared with direct loans. Credit-related commitments are included in the management of overall credit line granted to the applicant. For customers with transactions beyond the credit limit or infrequent transactions, the applicant shall be requested to provide relevant margin deposits in order to reduce credit risk exposures.

(iv) Credit risk quality

In accordance with the Rules on Risk Classification of Financial Assets of Commercial Banks (Order No. 1 [2023] of the China Banking and Insurance Regulatory Commission and People's Bank of China), the Group conducts classified management of financial assets. Financial assets are classified by their level of risk into the five categories of Normal, Special-Mention, Substandard, Doubtful, and Loss, with the latter three collectively referred to as non-performing assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(a) Credit risk management (Continued)

(iv) Credit risk quality (Continued)

The core of the five categories are defined as follows:

Normal:	The debtor is capable of meeting its contractual obligations and there is no objective evidence indicating that the principal, interests, and income cannot be paid in full and on time.
Special-mention:	The debtor is currently capable of paying the principal, interests, and income notwithstanding a number of factors that might adversely affect its capacity to meet its contractual obligations.
Substandard:	The debtor is incapable of paying the principal, interests, or income in full or the financial assets have undergone credit impairment.
Doubtful:	The debtor is incapable of paying the principal, interests, or income in full and the financial assets have undergone significant credit impairment.
Loss:	None or only a minimum fraction of the financial assets can be recovered after exhausting all available options.

(b) Expected credit loss ("ECL")

The Group measures the ECL of financial instruments at amortised cost or debt investments at fair value through other comprehensive income ("FVOCI"). The Group divides them into 3 stages by assessing whether there has been a significant increase in credit risk since initial recognition to recognise ECL.

The Group measures the ECL of a financial instrument in a way that reflects:

– an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

– the time value of money;

– reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Stage classification

The Group divides them into 3 stages. Stage 1 is "financial assets without significant increase in credit risk since initial recognition", at which the Group only needs to measure ECL in the next 12 months. Stage 2 is "financial assets with significant increase in credit risk" and stage 3 is "credit-impaired financial assets", at both of which the Group needs to measure lifetime ECL.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(b) Expected credit loss ("ECL") *(Continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information, including forward-looking information. In particular, the following information is taken into account:

– Principal or interest of the instrument is more than 30 days past due;

– Credit rating of obligor changes significantly. Credit rating is based on both internal and external rating results, and the criteria are as follow:

(i) The changed internal and external ratings are worse than the Group's credit access standards;

(ii) The non-retail assets' internal ratings are downgraded by 3 ranks or above upon initial recognition;

(iii) Significant adverse issues have negative impacts on obligator's repayment ability;

(iv) Other circumstances of significant increase in credit risk. For example, appearance of other risk alarm indicators which imply growing potential risk, and could cause losses of financial assets to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

Definition of credit-impaired and default

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instrument, in addition to consideration of quantitative and qualitative indicators. In general, the Group considers a financial instrument to be credit-impaired or otherwise in default when one or more of the following criteria have been met:

– Principal or interest of the asset is more than 90 days past due;

– The issuer or obligor is in significant financial difficulty, or has already become insolvent;

– It is becoming probable that the obligor will enter bankruptcy;

– An active market for that financial asset has disappeared because of financial difficulties of issuers;

– Other objective evidence indicating impairment of the financial asset.

The financial assets are moveable between stages. For instance, financial instruments originally classified at stage 1 should be downgraded to stage 2 if events occur such as a significant increase in credit risk. Financial instruments at stage 2 could be upgraded to stage 1 if credit risk decreases and the criteria for the determination of "a significant increase in credit risk" are no longer met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(b) Expected credit loss ("ECL") *(Continued)*

Description of parameters, assumptions and estimation techniques

The Group recognises a loss allowance to different financial instruments at an amount equal to 12-month or lifetime expected credit loss based on whether there has been a significant increase in credit risk and whether the financial instrument is credit-impaired. ECL is the result of discounted product of the weighted average of "probability of default (PD)", "loss given default (LGD)", "exposure at default (EAD)" under the three scenarios, which are defined as follows:

Probability of default (PD) is the probability of default occurring of a client and its assets in a given period of time in the future.

Exposure at default (EAD) represents the total amount of on-balance sheet and off-balance sheet exposure at the time of default by debtor, reflecting the total amount of possible losses likely to be incurred. In general, this includes the utilised credit limit, interest receivable, the anticipated usage of unused credit facilities as well as the related expenses to be incurred.

Loss given default (LGD) represents the percentage of amount of loss to be incurred in the event of default to the total risk exposure. It typically varies by nature of debtor, type and seniority of claim and the availability of collaterals or other credit risk mitigation.

Definition of default has been consistently applied to model establishment of probability of default (PD), exposure at default (EAD), loss given default (LGD) in ECL calculation throughout the Group.

Estimation of ECL: the impairment models

The impairment models adopt a top down approach. Through grouping, the models cover the risk exposures of financial institutions, corporates and retailers. The Group has established a macro-economic forecast model driven by the year-on-year Gross Domestic Product (GDP) growth rate to forecast values of macro-economic indicators in multiple categories, including national accounts, price index, foreign trades, fixed asset investments, currency and interest rates, under three scenarios, namely "Basic Scenario", "Optimistic Scenario" and "Pessimistic Scenario". The forecasts, after evaluation and confirmation by economic experts and senior management of the Bank, are used in asset impairment model. The macro scenario settings and the rationality of the weightings are reviewed and adjusted semiannually, based on changes in the internal and external economic environment.

As at 31 December 2023, The Group forecasts the 2024 year-on-year growth rate of GDP to be 5% in the Basic Scenario. The Group fully considered the macroeconomic forecast for 2024 when evaluating the forecast information used in the impairment models.

The Group determined the weightings of "Basic Scenario", "Optimistic Scenario" and "Pessimistic Scenario" with macro data analysis and expert's judgement and maintain relative stability.

Where impairment models could not be established due to lack of data support, the Group endeavoured to select appropriate methods in order to make prospective estimation. The Group made prospective adjustments to impairment calculation of overseas branches regularly based on macro-forecast data from authoritative institutions (such as IMF and the World Bank). For asset portfolios not covered by impairment models, expected loss rate was set by referring to that of similar asset portfolios with impairment models available. When the management believed that the forecast model could not fully reflect recent credit or economic events, management overlay adjustments could be used to supplement ECL allowances.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(b) Expected credit loss ("ECL") *(Continued)*

Grouping of instruments with similar credit risk characteristics

To calculate the relevance between ECL allowance and macro-economic indicators, a grouping of exposure is performed for assets with similar credit risk characteristics. In performing this grouping, the Group has obtained sufficient information to ensure the data reliability for statistical purposes. Where sufficient information is not available internally, the Group has leveraged supplementary data from both internal and external environments to help establish impairment model. Non-retail assets of the Group are mainly grouped according to industries, while retail assets are mainly grouped based on product types and so on.

Sensitivity analysis

The Group measures sensitivity analysis on the macro-economic indicators used in prospective estimation. As at 31 December 2023, if the optimistic/pessimistic scenario weighting increases or decreases by 10%, and the prediction of economic indicators changed correspondingly, the change of the impairment allowance does not exceed 5%.

(c) Maximum exposure to credit risk

(i) financial instruments included in impairment assessment

The Group adopts credit rating methods to monitor the credit risk status of its debt instrument portfolio. The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts or having significant impact on the repayment of debt according to contract terms.

The following table is the summary of the group's credit risk exposure of the main financial instruments included in the ECL assessment scope. The maximum exposure to credit risk represents the worst credit risk exposure at the end of each reporting period, without taking account of any collateral held or other credit enhancements. The credit risk exposure to the Group at the end of each reporting period primarily arises from credit and treasury operations. For on balance sheet assets, the maximum credit risk exposure refers to the book value of financial assets after deducting loss provisions. In addition, off balance sheet items such as loan commitment, credit card commitment, Banker's acceptance, letter of guarantee, guarantee and letter of credit also include credit risk. And the maximum credit risk exposure of these off balance sheet items is the balance after the provision of estimated liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) Maximum exposure to credit risk (Continued)

(i) financial instruments included in impairment assessment (Continued)

As at 31 December 2023	Low risk	Medium risk	High risk	Domestic branches	Overseas and subsidiaries	Group total	Allowance for Impairment losses	Maximum exposure to credit risk
On-balance sheet item								
Cash and balances with central banks (Stage 1)	862,742	–	–	862,742	22,803	885,545	–	885,545
Loans and advances to customers-Corporate (Excluding accrued interest)								
at amortised cost	4,458,676	81,134	67,245	4,607,055	478,432	5,085,487	(152,862)	4,932,625
Stage 1	4,378,790	–	–	4,378,790	437,523	4,816,313	(60,962)	4,755,351
Stage 2	79,886	81,134	–	161,020	22,627	183,647	(38,395)	145,252
Stage 3	–	–	67,245	67,245	18,282	85,527	(53,505)	32,022
at FVOCI	398,335	125	19	398,479	–	398,479	–	398,479
Stage 1	391,313	–	–	391,313	–	391,313	–	391,313
Stage 2	7,022	125	–	7,147	–	7,147	–	7,147
Stage 3	–	–	19	19	–	19	–	19
Loans and advances to customers-Personal (Excluding accrued interest)								
at amortised cost	2,355,913	30,662	19,808	2,406,383	66,717	2,473,100	(50,913)	2,422,187
Stage 1	2,336,427	–	–	2,336,427	66,017	2,402,444	(19,710)	2,382,734
Stage 2	19,486	30,662	–	50,148	385	50,533	(16,945)	33,588
Stage 3	–	–	19,808	19,808	315	20,123	(14,258)	5,865
Due from and placements with banks and other financial institutions	441,228	–	–	441,228	420,963	862,191	(2,549)	859,642
Stage 1	441,228	–	–	441,228	412,770	853,998	(2,543)	851,455
Stage 2	–	–	–	–	8,193	8,193	(6)	8,187
Financial investments at amortised cost	2,477,019	2,784	1,136	2,480,939	96,610	2,577,549	(3,638)	2,573,911
Stage 1	2,477,019	–	–	2,477,019	95,803	2,572,822	(1,662)	2,571,160
Stage 2	–	2,784	–	2,784	382	3,166	(997)	2,169
Stage 3	–	–	1,136	1,136	425	1,561	(979)	582
Debt investments at FVOCI	417,918	103	–	418,021	455,245	873,266	–	873,266
Stage 1	417,918	–	–	417,918	452,134	870,052	–	870,052
Stage 2	–	103	–	103	2,983	3,086	–	3,086
Stage 3	–	–	–	–	128	128	–	128
On-balance sheet total	11,411,831	114,808	88,208	11,614,847	1,540,770	13,155,617	(209,962)	12,945,655

As at 31 December 2023	Domestic branches	Overseas and subsidiaries	Group total	Provisions	Maximum exposure to credit risk
Credit related commitments and financial guarantees					
Stage 1	2,172,236	47,799	2,220,035	(8,275)	2,211,760
Stage 2	12,331	225	12,556	(551)	12,005
Off-balance sheet total	2,184,567	48,024	2,232,591	(8,826)	2,223,765

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) ***Maximum exposure to credit risk*** *(Continued)*

(i) financial instruments included in impairment assessment (Continued)

As at 31 December 2022	Low risk	Medium risk	High risk	Domestic branches	Overseas and subsidiaries	Group total	Allowance for Impairment losses	Maximum exposure to credit risk
On-balance sheet item								
Cash and balances with central banks								
(Stage 1)	766,436	–	–	766,436	25,827	792,263	–	792,263
Loans and advances to customers-								
Corporate (Excluding accrued interest)								
at amortised cost	3,945,613	79,199	60,506	4,085,318	521,838	4,607,156	(134,409)	4,472,747
Stage 1	3,866,961	–	–	3,866,961	485,011	4,351,972	(51,219)	4,300,753
Stage 2	78,652	79,199	–	157,851	18,873	176,724	(35,112)	141,612
Stage 3	–	–	60,506	60,506	17,954	78,460	(48,078)	30,382
at FVOCI	322,364	2	36	322,402	63	322,465	–	322,465
Stage 1	315,497	–	–	315,497	63	315,560	–	315,560
Stage 2	6,867	2	–	6,869	–	6,869	–	6,869
Stage 3	–	–	36	36	–	36	–	36
Loans and advances to customers-Personal								
(Excluding accrued interest)								
at amortised cost	2,261,444	20,181	19,743	2,301,368	63,949	2,365,317	(41,769)	2,323,548
Stage 1	2,247,634	–	–	2,247,634	62,332	2,309,966	(17,576)	2,292,390
Stage 2	13,810	20,181	–	33,991	1,357	35,348	(10,273)	25,075
Stage 3	–	–	19,743	19,743	260	20,003	(13,920)	6,083
Due from and placements with banks and other								
financial institutions	366,086	–	–	366,086	325,369	691,455	(1,034)	690,421
Stage 1	366,086	–	–	366,086	321,673	687,759	(1,032)	686,727
Stage 2	–	–	–	–	3,696	3,696	(2)	3,694
Financial investments at amortised cost	2,318,706	1,341	1,125	2,321,172	132,367	2,453,539	(2,764)	2,450,775
Stage 1	2,318,706	–	–	2,318,706	129,095	2,447,801	(1,547)	2,446,254
Stage 2	–	1,341	–	1,341	2,641	3,982	(260)	3,722
Stage 3	–	–	1,125	1,125	631	1,756	(957)	799
Debt investments at FVOCI	380,020	–	–	380,020	403,732	783,752	–	783,752
Stage 1	380,020	–	–	380,020	400,510	780,530	–	780,530
Stage 2	–	–	–	–	2,794	2,794	–	2,794
Stage 3	–	–	–	–	428	428	–	428
On-balance sheet total	10,360,669	100,723	81,410	10,542,802	1,473,145	12,015,947	(179,976)	11,835,971

As at 31 December 2022	Domestic branches	Overseas and subsidiaries	Group total	Provisions	Maximum exposure to credit risk
Credit related commitments and financial guarantees					
Stage 1	2,153,567	54,654	2,208,221	(10,226)	2,197,995
Stage 2	11,469	765	12,234	(1,065)	11,169
Off-balance sheet total	2,165,036	55,419	2,220,455	(11,291)	2,209,164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
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3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) Maximum exposure to credit risk (Continued)

(ii) Financial instruments not included in impairment assessment

The analysis of credit risk exposure of those financial assets measured at FVTPL which are not included in the impairment assessment are as follows:

	Maximum exposure to credit risk	
	As at 31 December 2023	As at 31 December 2022
Financial assets at fair value through profit or loss		
Derivative financial instruments	**67,387**	69,687
Loans and advances to customers	**19**	27
Debt securities	**227,242**	252,953
Fund and trust management products	**180,911**	209,180
Equity investments and other investments	**73,770**	72,204
Precious metal contracts	**4,524**	24,557
Other debt investments	**155,835**	146,463
Total	**709,688**	775,071

(iii) Collaterals and other credit enhancements

The Group manages, limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparty, groups, industry segments and geographical regions.

The Group optimises its credit risk structure by placing limits in relation to one borrower, or group of borrowers. Such risks are monitored by the Group on a regular basis and subject to annual or more frequent review, whenever necessary.

The exposure to any single borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. The Group monitors the actual credit risk exposure and credit limits on a daily basis.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet principal and interest repayment obligations. The Group will change their lending limits when appropriate based on the analysis.

Some other specific control and risk mitigation measures are outlined below.

Collaterals

The Group employs a range of policies and practices to mitigate credit risk. The most common practice is to accept collaterals or pledges. The Group implements guidelines on the acceptability of specific classes of collaterals and pledges. The principal types of collaterals and pledges for loans and advances to customers are:

- Residential properties;
- Business assets such as premises, inventory and receivables;
- Financial instruments such as debt securities and stocks.

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) Maximum exposure to credit risk (Continued)

(iii) Collaterals and other credit enhancements (Continued)

Collaterals (Continued)

The value of collaterals at the time of loan origination is subject to loan-to-value ratio limits based on collateral types. The principal types of collaterals for corporate loans and personal loans are as follows:

Collaterals	Maximum loan-to-value ratio
Cash deposits with the Group	90%
PRC treasury bonds	90%
Financial institution bonds	90%
Publicly traded stocks	60%
Rights to collect fees or right of management	65%
Properties	70%
Land use rights	70%
Vehicles	50%

Long-term loans and advances to corporate and personal customers are generally secured. In addition, in order to minimise the credit loss the Group will strengthen collection through short message reminders, telephone calls, letters, judicial proceedings and other means as soon as impairment indicators are noted for the personal loans and advances.

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

Collaterals and pledges held as security for financial assets other than loans and advances to customers are determined by the nature of the instrument. Debt securities, PRC treasury bonds and the PBOC bills are generally unsecured, with the exception of asset-backed securities, which are secured by portfolios of financial instruments.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

As at 31 December 2023	Gross exposure	Impairment allowance	Carrying amount	Exposure covered by collateral
Credit impaired assets				
Loans and advances to customers				
Loans and advances to customers at amortised cost	105,650	(67,763)	37,887	50,316
Loans and advances to customers at FVOCI	19	–	19	16
Financial investments				
Financial investments at amortised cost	1,561	(979)	582	832
Debt investments at FVOCI	128	–	128	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
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3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(c) Maximum exposure to credit risk (Continued)

(iii) Collaterals and other credit enhancements (Continued)

Collaterals (Continued)

As at 31 December 2022	Gross exposure	Impairment allowance	Carrying amount	Exposure covered by collateral
Credit impaired assets				
Loans and advances to customers				
Loans and advances to customers at amortised cost	98,463	(61,998)	36,465	50,145
Loans and advances to customers at FVOCI	36	–	36	36
Financial investments				
Financial investments at amortised cost	1,756	(957)	799	876
Financial investments at FVOCI	428	–	428	–

Master netting arrangements

The Group may enter into master netting arrangements or similar agreements with the counterparties to reduce credit risk furtherly. The related credit risk of contracts will reduce when settled on a net basis. Each party to the master netting arrangements or similar agreements will settle all such amounts on a net basis in the event of default of the other party.

(d) Derivative instruments

The Group undertakes its transactions in foreign exchange, commodity, interest rate and other derivative contracts with other financial institutions and customers. The management has established limits for these contracts based on counterparties, industry sectors and countries. Actual credit risk exposures are regularly monitored and controlled by the management.

Credit risk-weighted amounts

	As at 31 December 2023	As at 31 December 2022
Counterparty credit risk-weighted amounts	**46,882**	39,298

The credit risk-weighted amounts are the amounts calculated with reference to the guidelines issued by the former China Banking and Insurance Regulatory Commission (the "former CBIRC") and are dependent on, amongst other factors, the creditworthiness of the counterparty and the maturity of each type of contract. The credit risk-weighted amounts stated above have not taken the effects of netting arrangements into account.

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(e) Foreclosed assets

	As at 31 December 2023	As at 31 December 2022
Buildings	**1,366**	1,400
Land use rights	**8**	8
Others	**10**	4
Gross	**1,384**	1,412
Less: Impairment allowances	**(439)**	(412)
Net	**945**	1,000

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not generally occupy foreclosed assets for its own business use. Foreclosed assets are classified as other assets in the statement of financial position.

(f) Concentration risk analysis for financial assets

The Group mainly manages concentration risk for loans and advances to customers by industry sectors and also manages concentration risk for financial assets by geographical sectors.

Concentration risk for geographical sectors

As at 31 December 2023	**Chinese Mainland**	**Hong Kong**	**Others**	**Total**
Financial assets				
Balances with central banks	**865,236**	**1,578**	**18,731**	**885,545**
Due from and placements with banks and other financial institutions	**649,279**	**83,984**	**126,379**	**859,642**
Derivative financial assets	**31,029**	**29,982**	**6,376**	**67,387**
Loans and advances to customers	**7,421,635**	**217,391**	**133,034**	**7,772,060**
Financial investments at FVTPL	**552,977**	**9,664**	**5,871**	**568,512**
Debt investments at FVOCI	**467,473**	**223,644**	**182,149**	**873,266**
Financial investments at amortised cost	**2,513,000**	**43,769**	**17,142**	**2,573,911**
Other financial assets	**27,536**	**5,948**	**5,510**	**38,994**
Total	**12,528,165**	**615,960**	**495,192**	**13,639,317**
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	**1,186,022**	**6,118**	**13,111**	**1,205,251**
Loan commitments and other credit related commitments	**1,004,082**	**18,895**	**4,363**	**1,027,340**
Total	**2,190,104**	**25,013**	**17,474**	**2,232,591**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(f) Concentration risk analysis for financial assets *(Continued)*

Concentration risk for geographical sectors (Continued)

As at 31 December 2022	Chinese Mainland	Hong Kong	Others	Total
Financial assets				
Balances with central banks	768,985	1,874	21,404	792,263
Due from and placements with banks and other financial institutions	423,549	109,971	156,901	690,421
Derivative financial assets	23,345	38,787	7,555	69,687
Loans and advances to customers	6,764,444	232,934	138,076	7,135,454
Financial investments at FVTPL	616,906	11,249	4,998	633,153
Debt investments at FVOCI	400,661	225,274	157,817	783,752
Financial investments at amortised cost	2,369,077	48,398	33,300	2,450,775
Other financial assets	24,569	5,456	5,930	35,955
Total	11,391,536	673,943	525,981	12,591,460
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	1,118,222	12,737	9,499	1,140,458
Loan commitments and other credit related commitments	1,049,643	18,257	12,097	1,079,997
Total	2,167,865	30,994	21,596	2,220,455

Geographical risk concentration for loans and advances to customers

	As at 31 December 2023	**%**	As at 31 December 2022	%
Yangtze River Delta	**2,226,422**	**27.98**	1,999,175	27.40
Central China	**1,290,880**	**16.22**	1,196,075	16.40
Bohai Rim Economic Zone	**1,288,078**	**16.19**	1,137,282	15.59
Pearl River Delta	**1,051,204**	**13.21**	978,749	13.42
Western China	**947,510**	**11.91**	875,476	12.00
Head Office	**528,330**	**6.64**	481,741	6.60
North Eastern China	**265,215**	**3.33**	250,190	3.43
Overseas	**359,446**	**4.52**	376,277	5.16
Gross amount of loans and advances to customers	**7,957,085**	**100.00**	7,294,965	100.00

Note: The definitions of geographical operating segments are set out in Note 46.

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(1) Credit risk *(Continued)*

(f) Concentration risk analysis for financial assets *(Continued)*

Industry analysis for loans and advances to customers

	As at 31 December 2023		As at 31 December 2022	
		%		%
Corporate loans				
Manufacturing	**954,586**	**12.00**	836,532	11.46
Transportation, storage and postal service	**905,624**	**11.38**	823,156	11.28
Leasing and commercial services	**866,601**	**10.89**	729,818	10.00
Real estate	**489,080**	**6.15**	519,857	7.13
Water conservancy, environmental and other public services	**466,137**	**5.86**	429,222	5.88
Production and supply of power, heat, gas and water	**391,742**	**4.92**	342,617	4.70
Wholesale and retail	**292,168**	**3.67**	254,447	3.49
Construction	**188,716**	**2.37**	176,696	2.42
Finance	**159,183**	**2.00**	148,747	2.04
Education, science, culture and public health	**141,254**	**1.78**	128,762	1.77
Mining	**116,467**	**1.46**	118,246	1.62
Information transmission, software and IT services	**81,176**	**1.02**	68,246	0.94
Accommodation and catering	**38,159**	**0.48**	40,168	0.55
Others	**88,640**	**1.11**	94,839	1.30
Discounted bills	**304,452**	**3.83**	218,295	2.99
Total corporate loans	**5,483,985**	**68.92**	4,929,648	67.57
Personal loans				
Mortgages	**1,462,634**	**18.39**	1,512,648	20.74
Credit cards	**489,725**	**6.15**	477,746	6.55
Others	**520,741**	**6.54**	374,923	5.14
Total personal loans	**2,473,100**	**31.08**	2,365,317	32.43
Gross amount of loans and advances before impairment allowances	**7,957,085**	**100.00**	7,294,965	100.00

Note: The classification of industries is consistent with the latest national standards for industry classification (Industrial classification for national economic activities (GB/T 4754-2017) issued by SAC and AQSIQ in 2017).

The industry risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk

Overview

Market risk is risk of loss on the Group's on balance sheet and off balance sheet businesses, which is originated from the unfavourable changes and fluctuations in interest rates, foreign exchange rates, commodity price and equity product price. Market risk consists of interest rate risk, foreign exchange rate risk, equity product price risk and commodity price risk. The market risk of the Group mainly comprises interest rate risk and foreign exchange rate risk.

The Group established an integrated market risk management system, formed a market risk management structure with the separation of front and middle-end platforms and specified the responsibilities, the division of labor and the reporting route of the Board of Directors, Board of Supervisors, Senior Management, Special Committees and other relevant departments to ensure the compliance and effectiveness of market risk management.

In accordance with the requirements of the former CBIRC, the Group's financial instrument positions are divided into trading book and banking book. The trading book consists of financial instruments held either for trading intent or economic hedging against risks of the trading book. The banking book consists of all financial instruments other than those included in trading book. The Group recognises, measures, monitors and controls the market risks in trading book and banking book according to their nature and characteristics.

With regard to the exchange rate risk and the interest rate risk of trading book, the Group established an effective limit management system by implementing Net Position, Risk Sensitivity, Value at Risk ("VaR") and other indicators. Meanwhile, with regard to the interest risk of banking book, net interest income simulation and gap analysis are the major tools used by the Group to monitor the interest risk of its overall businesses. In addition, through adequate repricing management and structure adjustment of assets and liabilities, the Group strives to maximise its rate of return while keeping its risks under control.

The Group has continuously improved the management system of market risk. The Group conducted stress tests on historical scenarios and hypothetical scenarios in the consideration of the Group's major market risk factors. The Group has realised daily automatic collection of trading data and market data in the system. The Group conducted the management of risk capital and VaR quota, and formulated the quota allocation plans.

The Group also applies sensitivity analysis to assess and measure the market risk of trading book and banking book. Sensitivity analysis indicates the impact on the relevant market risk assuming that only a single variable changes. As any risk variable rarely changes isolatedly, and the correlation between variables will have a significant effect on the final impact amount of the change of a risk variable, the results of sensitivity analysis can only provide limited market risk information.

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

The major measurement techniques used to measure and control market risk are outlined below:

(a) VaR

VaR refers to the maximum loss that an investment portfolio may incur at a given confidence level and holding period caused by the changes in market price factors such as interest rates and exchange rates etc.. The Group adopted the historical simulation method to calculate daily VaR (99% confidence interval, the holding period of one day).

A summary of VaR by risk type including foreign exchange rate risk and interest rate risk of the trading book of the Group's portfolios is as follows:

Items	31 December 2023	Year ended 31 December 2023 Average	Maximum	Minimum
VaR	**199**	**390**	**681**	**196**
Including: Interest rate risk	**184**	**338**	**572**	**171**
Foreign exchange risk	**106**	**131**	**275**	**36**

Items	31 December 2022	Year ended 31 December 2022 Average	Maximum	Minimum
VaR	631	565	771	298
Including: Interest rate risk	558	570	790	282
Foreign exchange risk	107	90	154	43

(b) Sensitivity analysis

Interest rate sensitivity analysis

The table below illustrates the impact on net profit of the Group for the following year based on the structure of financial assets and liabilities as at the date of statement of financial position, resulting from a parallel upward or downward shift of 100 basis points in related yield curves.

	Changes in net profit As at 31 December 2023	As at 31 December 2022
+100 basis points parallel shift in yield curves	**11,574**	10,860
– 100 basis points parallel shift in yield curves	**(11,574)**	(10,860)

The table below illustrates the impact on other comprehensive income of the Group for the following year based on the structure of financial assets and liabilities as at the date of statement of financial position, resulting from a parallel upward or downward shift of 100 basis points in related yield curves.

	Changes in other comprehensive income As at 31 December 2023	As at 31 December 2022
+100 basis points parallel shift in yield curves	**(17,882)**	(17,667)
– 100 basis points parallel shift in yield curves	**20,084**	17,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(b) Sensitivity analysis (Continued)

Interest rate sensitivity analysis (Continued)

The above-mentioned impact on other comprehensive income arises from the changes in the fair value of fixed-interest-rate bonds at fair value through other comprehensive income, and loans and advances to customers at fair value through other comprehensive income.

The results of the interest rate sensitivity analysis set out in the table above are illustrative only and are based on simplified scenarios. The figures represent the projected impact to the net profit and other comprehensive income caused by the projected movement of current interest risk structure yield curves. This effect, however, does not take into account actions that would be taken by the Group to mitigate the impact of interest rate changes.

The projections above also assume that interest rates of all maturities excluding demand deposits move by the same amount and, therefore, do not reflect the potential impact on net profit due to changes in certain rates while others remain unchanged. The projections are based on other simplified assumptions as well, including that all positions are to be held to maturity. There will be changes to the projection if positions are not held to maturity but it is not expected that the changes would be material.

The Group believes the assumption does not represent the Group's policy on use of funds and interest rate risk management. As a result, the above impact may differ from the actual situation.

Foreign exchange sensitivity analysis

The table below illustrates the impact of a concurrent appreciation or depreciation of RMB spot and forward rates against USD and HKD by 5% on the Group's net profit:

	Changes in net profit	
	As at 31 December 2023	As at 31 December 2022
5% appreciation of RMB	**837**	(327)
5% depreciation of RMB	**(837)**	327

The table below illustrates the impact of a concurrent appreciation or depreciation of RMB spot and forward rates against USD and HKD by 5% on the Group's other comprehensive income:

	Changes in other comprehensive income	
	As at 31 December 2023	As at 31 December 2022
5% appreciation of RMB	**(3,481)**	(1,138)
5% depreciation of RMB	**3,481**	1,138

The impact on net profit arises from the influences of RMB exchange rate fluctuation on the net position of monetary assets (excluding other book value other than amortised cost of monetary assets at fair value through other comprehensive income) and liabilities denominated in foreign currencies, the net position of non-monetary financial assets (excluding non-monetary items denominated in foreign currencies measured at fair value through other comprehensive income) and liabilities denominated in foreign currencies measured at fair value, and the fair value of currency derivatives denominated in RMB.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(b) Sensitivity analysis *(Continued)*

Foreign exchange sensitivity analysis (Continued)

The impact on other comprehensive income arises from the influences of RMB exchange rate fluctuation on the differences on translation of foreign currency financial statements of foreign operators, the overseas investment portion of monetary assets denominated in foreign currencies, other book value other than amortised cost of the non-monetary items denominated in foreign currencies measured at fair value through other comprehensive income (such as stock) and monetary items at fair value through other comprehensive income.

The above impact on net profit is based on the assumption that the sensitive position of the Group's year-end exchange rate and currency derivatives denominated in RMB remain unchanged around the year. While in practice, the Group will, based on its judgement on the trend of exchange rate, actively adjust the foreign currency position and use appropriate derivative instruments to mitigate the impact of the foreign currency risk. Therefore, the above impact might differ from the actual situation.

(c) Interest rate risk

The Group's interest rate risk mainly arises from interest rate repricing risk due to maturity mismatching of asset and liability businesses, and basis risk due to inconsistent pricing benchmarks.

On 20 July 2013, the PBOC cancelled the lower limit of benchmark interest rates of loans dominated in RMB, allowing financial institutions to determine the loan interest rates independently based on commercial principles. The PBOC cancelled the upper limit of the benchmark interest rates for deposits on 24 October 2015 and established RMB Loan Prime Rate (LPR) as a new pricing benchmark of new loans in 2019. The Group conducts most of its domestic deposit businesses at benchmark interest rates for deposits and conducts most of its domestic loan businesses at LPR published by the PBOC.

The Group pays high attention to the transition of interest rate benchmark and has established a task force to speed up the launch and implementation of interest rate benchmark reform project. As at 30 June 2023, all LIBOR priced products discontinued quoting. The Group steadily promoted the conversion work in strict accordance with the scheduled exit time of each LIBOR product to achieve a smooth transition between the old and new benchmark interest rates, and carries out related businesses in an orderly manner.

The Group has established a relatively complete interest rate risk monitoring system. By using the gap analysis system, the Group regularly monitors the repricing maturity gap of interest rate-sensitive assets and liabilities throughout the Group, takes the initiative to adjust the proportion of interest-bearing assets at floating interest rates and fixed interest rates, and adjusts the repricing term structure of interest rate and manages interest rate risk by applying appropriate derivatives such as interest rate swaps based on allocation strategy of assets and liabilities. Consequently, the Group is less vulnerable to interest rate risk.

During the reporting period, the Group closely monitored the interest rate trend for RMB and foreign currencies, conducted specific management of risk limits, and strengthened comprehensive operations and limit monitoring. In addition, the Group, by rationally adjusting the loan repricing strategies, reinforced the specific management of price negotiation to maximise its rate of return while keeping its risks under control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(c) Interest rate risk (Continued)

At the date of statement of financial position, the Group's assets and liabilities categorised by the repricing date or maturity date (whichever is earlier) are as follows:

As at 31 December 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	884,284	–	–	–	–	13,738	898,022
Due from and placements with banks and other financial institutions	434,995	148,731	232,858	36,844	17	6,197	859,642
Derivative financial assets	–	–	–	–	–	67,387	67,387
Loans and advances to customers	1,924,013	1,178,073	3,741,404	453,813	177,729	297,028	7,772,060
Financial investments at FVTPL	16,558	18,941	90,093	63,598	62,685	390,407	642,282
Financial investments at amortised cost	11,920	65,591	179,537	1,101,787	1,186,480	28,596	2,573,911
Financial investments at FVOCI	34,805	88,610	104,644	404,770	231,057	24,063	887,949
Other assets	1,161	–	–	–	–	358,058	359,219
Total assets	3,307,736	1,499,946	4,348,536	2,060,812	1,657,968	1,185,474	14,060,472
Liabilities							
Due to and placements from banks and other financial institutions	(1,453,238)	(276,568)	(634,551)	(40,657)	(6,535)	(12,988)	(2,424,537)
Financial liabilities at FVTPL	(2,941)	(126)	(13,658)	(27,341)	–	(12,491)	(56,557)
Derivative financial liabilities	–	–	–	–	–	(50,975)	(50,975)
Deposits from customers	(3,951,448)	(686,639)	(1,363,898)	(2,398,185)	(3)	(151,042)	(8,551,215)
Other liabilities	(132,766)	(317,076)	(657,052)	(313,319)	(307,974)	(149,551)	(1,877,738)
Total liabilities	(5,540,393)	(1,280,409)	(2,669,159)	(2,779,502)	(314,512)	(377,047)	(12,961,022)
Total interest sensitivity gap	(2,232,657)	219,537	1,679,377	(718,690)	1,343,456	808,427	1,099,450

As at 31 December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	787,224	–	–	–	–	18,878	806,102
Due from and placements with banks and other financial institutions	335,968	104,925	205,097	38,075	1,592	4,764	690,421
Derivative financial assets	–	–	–	–	–	69,687	69,687
Loans and advances to customers	1,811,554	958,019	3,474,803	342,512	205,882	342,684	7,135,454
Financial investments at FVTPL	12,769	24,727	143,074	50,189	65,437	409,161	705,357
Financial investments at amortised cost	27,790	52,466	510,213	790,849	1,040,333	29,124	2,450,775
Financial investments at FVOCI	47,273	110,274	240,595	195,614	181,231	24,088	799,075
Other assets	495	–	–	–	–	334,205	334,700
Total assets	3,023,073	1,250,411	4,573,782	1,417,239	1,494,475	1,232,591	12,991,571
Liabilities							
Due to and placements from banks and other financial institutions	(1,221,722)	(256,095)	(518,409)	(24,137)	(3,433)	(11,098)	(2,034,894)
Financial liabilities at FVTPL	(3,009)	(4,475)	(4,068)	(21,484)	–	(14,913)	(47,949)
Derivative financial liabilities	–	–	–	–	–	(46,804)	(46,804)
Deposits from customers	(3,896,914)	(624,232)	(1,444,736)	(1,863,246)	(19)	(119,925)	(7,949,072)
Other liabilities	(121,683)	(255,607)	(842,246)	(228,927)	(266,551)	(164,316)	(1,879,330)
Total liabilities	(5,243,328)	(1,140,409)	(2,809,459)	(2,137,794)	(270,003)	(357,056)	(11,958,049)
Total interest sensitivity gap	(2,220,255)	110,002	1,764,323	(720,555)	1,224,472	875,535	1,033,522

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(d) Foreign exchange risk

The Group conducts the majority of its businesses in RMB, and the recording currency is RMB. Certain foreign transactions are conducted in USD, HKD and other currencies. The exchange rate of RMB to USD, HKD or other currencies is subject to the trading rules of China Foreign Exchange Trade System. Exchange rate risk mainly results from currency mismatch between foreign currency assets and liabilities and between off balance sheet currency exposure. The Group has formulated management measures for exchange rate risks, defining the functional division and scope of work of the exchange rate risk management department, risk identification, measurement, monitoring and control methods, and specific measures. Moreover, the Group controls exchange rate risk by setting relevant limits, taking the initiative to adjust the structure of foreign currency assets for a proper matching of currency structure of assets and liabilities, and applying appropriate exchange rate financial derivatives for transfers and hedging based on its own risk tolerance and operating level.

As at 31 December 2023, the exchange rates for US dollar and HK dollar are 1 US dollar to RMB7.0827 (31 December 2022: RMB6.9646) and 1 HK dollar to RMB0.9062 (31 December 2022: RMB0.89327), respectively.

Carrying amounts of the Group's total assets and liabilities categorised by the original currency as at the date of statement of financial position are as follows:

As at 31 December 2023	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
Assets					
Cash and balances with central banks	863,157	16,398	2,583	15,884	898,022
Due from and placements with banks and other financial institutions	523,097	264,554	33,678	38,313	859,642
Derivative financial assets	39,341	21,204	4,059	2,783	67,387
Loans and advances to customers	7,276,689	208,367	189,991	97,013	7,772,060
Financial investments at FVTPL	567,556	57,516	3,210	14,000	642,282
Financial investments at amortised cost	2,468,066	76,789	14,221	14,835	2,573,911
Financial investments at FVOCI	455,213	338,548	17,033	77,155	887,949
Other assets	158,175	184,010	6,402	10,632	359,219
Total assets	12,351,294	1,167,386	271,177	270,615	14,060,472
Liabilities					
Due to and placements from banks and other financial institutions	(2,071,836)	(284,634)	(7,232)	(60,835)	(2,424,537)
Financial liabilities at FVTPL	(45,060)	(7,693)	(1,107)	(2,697)	(56,557)
Derivative financial liabilities	(36,367)	(6,239)	(5,342)	(3,027)	(50,975)
Deposits from customers	(7,870,593)	(373,200)	(253,858)	(53,564)	(8,551,215)
Other liabilities	(1,645,750)	(183,905)	(23,108)	(24,975)	(1,877,738)
Total liabilities	(11,669,606)	(855,671)	(290,647)	(145,098)	(12,961,022)
Net position	681,688	311,715	(19,470)	125,517	1,099,450
Credit related commitments and financial guarantees	2,055,142	135,069	13,899	28,481	2,232,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(2) Market risk *(Continued)*

(d) Foreign exchange risk *(Continued)*

As at 31 December 2022	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
Assets					
Cash and balances with central banks	761,360	24,466	3,029	17,247	806,102
Due from and placements with banks and other financial institutions	355,917	284,404	30,206	19,894	690,421
Derivative financial assets	34,610	27,496	4,928	2,653	69,687
Loans and advances to customers	6,584,029	255,653	205,170	90,602	7,135,454
Financial investments at FVTPL	605,884	62,679	4,513	32,281	705,357
Financial investments at amortised cost	2,316,741	92,370	20,047	21,617	2,450,775
Financial investments at FVOCI	421,630	304,276	15,846	57,323	799,075
Other assets	154,748	166,603	6,089	7,260	334,700
Total assets	11,234,919	1,217,947	289,828	248,877	12,991,571
Liabilities					
Due to and placements from banks and other financial institutions	(1,637,331)	(324,092)	(17,291)	(56,180)	(2,034,894)
Financial liabilities at FVTPL	(26,181)	(9,147)	(1,119)	(11,502)	(47,949)
Derivative financial liabilities	(32,994)	(7,062)	(5,292)	(1,456)	(46,804)
Deposits from customers	(7,191,205)	(431,120)	(272,029)	(54,718)	(7,949,072)
Other liabilities	(1,667,539)	(178,479)	(10,258)	(23,054)	(1,879,330)
Total liabilities	(10,555,250)	(949,900)	(305,989)	(146,910)	(11,958,049)
Net position	679,669	268,047	(16,161)	101,967	1,033,522
Credit related commitments and financial guarantees	2,043,649	133,379	14,386	29,041	2,220,455

(e) Other price risk

The Group is exposed to other price risk arising from financial assets such as equity investments and derivatives linked to commodity price. The equity investments arise from the proprietary trading of the Group's subsidiaries which hold the qualification of securities dealing and brokerage as well. As for the proprietary trading exposure, the Group enforces strict management of the risk exposure limit and the balance is insignificant to the Group's financial assets. The Group considers the exposure to the other price risk to be insignificant.

(3) Liquidity risk

Overview

Liquidity risk is the risk that occurs when the Group is not able to obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfill other payment obligations, or meet other funding needs in the normal course of business. The Group's liquidity risk mainly comes from depositors' early or centralised withdrawals, borrowers' deferred repayment of loans, the amount of assets and liabilities and maturity mismatches.

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(a) Liquidity risk management

The Group implements centralised management of liquidity risk and, on the basis of forecasting liquidity requirements, formulates corresponding liquidity management plans and actively manages the liquidity of the Bank. The specific measures mainly include:

- Pay close attention to changes in the macroeconomic situation, central bank monetary policy, capital market dynamics, etc.;
- Enhance weighting of core deposits as a percentage of liabilities, so as to improve the stability of liabilities;
- Monitor and manage liquidity position bank-wide by implementing a series of indicators and restrictions;
- Liquidity position management and cash utilisation functions are centralised by the Head offices;
- Maintain an appropriate level of central bank reserves, overnight inter-bank transactions, highly liquid debt investment, actively involve in capital management through open market, monetary market and bond market in order to ensure optimal financing capability at market places;
- Minimise liquidity risk by proper management of asset maturity structures and multi-level liquidity portfolios.

(b) Non-derivative financial instruments cash flows

The table below presents the structural analysis by contracted maturities on non-derivative financial assets and liabilities of the Group at the balance sheet date. The amount of financial assets and liabilities for each period is the amount of undiscounted cash flows The Group's expected cash flows on these financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

As at 31 December 2023	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	695,143	202,550	–	329	–	–	–	898,022
Due from and placements with banks and other financial institutions	–	–	70,228	337,245	132,864	244,157	78,396	20,173	883,063
Loans and advances to customers	76,918	–	–	536,179	526,757	2,005,894	2,627,952	3,681,800	9,455,500
Financial investments at FVTPL	89	70,471	242,065	15,695	51,696	117,071	102,928	68,783	668,798
Financial investments at amortised cost	1,003	–	–	14,630	74,810	250,806	1,351,540	1,350,430	3,043,219
Financial investments at FVOCI	73	14,683	–	19,138	47,199	143,138	519,908	285,228	1,029,367
Other financial assets	2,003	–	36,991	–	–	–	–	–	38,994
Assets held for managing liquidity risk (contractual maturity dates)	80,086	780,297	551,834	922,887	833,655	2,761,066	4,680,724	5,406,414	16,016,963
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(906,104)	(544,729)	(265,996)	(649,323)	(66,668)	(17,997)	(2,450,817)
Financial liabilities at FVTPL	–	(577)	(11,005)	(1,693)	(1,562)	(14,672)	(29,191)	–	(58,700)
Deposits from customers	–	–	(3,192,693)	(886,873)	(701,788)	(1,406,736)	(2,522,115)	(3)	(8,710,208)
Certificates of deposit issued	–	–	–	(116,088)	(293,059)	(615,261)	(15,678)	(455)	(1,040,541)
Debt securities issued	–	–	–	(4,264)	(20,884)	(76,961)	(321,073)	(263,540)	(686,722)
Other financial liabilities	–	–	(79,863)	(2,308)	(533)	(2,362)	(5,449)	(6,014)	(96,529)
Total liabilities (contractual maturity dates)	–	(577)	(4,189,665)	(1,555,955)	(1,283,822)	(2,765,315)	(2,960,174)	(288,009)	(13,043,517)
Net position	80,086	779,720	(3,637,831)	(633,068)	(450,167)	(4,249)	1,720,550	5,118,405	2,973,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(b) Non-derivative financial instruments cash flows (Continued)

As at 31 December 2022	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	688,101	117,662	–	339	–	–	–	806,102
Due from and placements with banks and other financial institutions	–	–	135,461	167,626	94,515	217,059	78,603	15,386	708,650
Loans and advances to customers	52,307	–	–	541,086	375,055	1,915,727	2,323,574	3,995,721	9,203,470
Financial investments at FVTPL	276	54,776	282,208	10,734	45,012	189,021	73,448	76,065	731,540
Financial investments at amortised cost	799	–	–	28,653	56,763	652,487	931,575	1,223,543	2,893,820
Financial investments at FVOCI	477	15,323	–	11,022	41,574	340,732	271,680	215,671	896,479
Other financial assets	2,054	–	41,394	–	–	–	–	–	43,448
Assets held for managing liquidity risk (contractual maturity dates)	55,913	758,200	576,725	759,121	613,258	3,315,026	3,678,880	5,526,386	15,283,509
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(812,999)	(391,858)	(246,329)	(538,680)	(46,374)	(13,610)	(2,049,850)
Financial liabilities at FVTPL	–	–	(10,901)	(3,928)	(6,209)	(5,338)	(23,437)	–	(49,813)
Deposits from customers	–	–	(3,119,909)	(869,509)	(629,734)	(1,460,728)	(1,923,273)	(20)	(8,003,173)
Certificates of deposit issued	–	–	–	(97,197)	(241,229)	(753,631)	(14,860)	(234)	(1,107,151)
Debt securities issued	–	–	–	(16,125)	(10,346)	(123,394)	(234,952)	(227,919)	(612,736)
Other financial liabilities	–	–	(98,112)	(2,461)	(701)	(2,057)	(5,168)	(21,217)	(129,716)
Total liabilities (contractual maturity dates)	–	–	(4,041,921)	(1,381,078)	(1,134,548)	(2,883,828)	(2,248,064)	(263,000)	(11,952,439)
Net position	55,913	758,200	(3,465,196)	(621,957)	(521,290)	431,198	1,430,816	5,263,386	3,331,070

Assets available to repay all of the liabilities and fulfill loan commitments include cash, balances with central banks, due from and placements with banks and other financial institutions, financial investment at fair value through profit or loss, etc. In the normal course of business, a majority of matured deposits will not be withdrew immediately on the maturity date but will continue to be kept by the Group. In addition, financial investments at fair value through other comprehensive income can also be disposed of when necessary to obtain funds for repayment of matured debts.

(c) Derivative financial instruments cash flows

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

(i) Derivative settled on a net basis

The Group's derivative financial instruments that will be settled on a net basis include foreign exchange contracts, commodity contracts, interest rate contracts and others.

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(c) Derivative financial instruments cash flows (Continued)

(i) Derivative settled on a net basis (Continued)

The table below analyses the undiscounted cash flows of the Group's derivative financial instruments which will be settled on a net basis and are classified based on the remaining contractual period from the balance sheet date to maturity date.

As at 31 December 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Derivative financial instruments						
– Foreign exchange and commodity contracts	6	11	8	14	–	39
– Interest rate contracts and others	932	2,688	9,242	20,428	2,915	36,205
Total	938	2,699	9,250	20,442	2,915	36,244
Liabilities						
Derivative financial instruments						
– Foreign exchange and commodity contracts	(6)	(19)	(78)	(60)	–	(163)
– Interest rate contracts and others	(484)	(1,588)	(5,236)	(10,488)	(1,473)	(19,269)
Total	(490)	(1,607)	(5,314)	(10,548)	(1,473)	(19,432)

As at 31 December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Derivative financial instruments						
– Foreign exchange and commodity contracts	42	2	6	1	–	51
– Interest rate contracts and others	1,078	2,057	7,949	22,168	4,691	37,943
Total	1,120	2,059	7,955	22,169	4,691	37,994
Liabilities						
Derivative financial instruments						
– Foreign exchange and commodity contracts	(111)	(4)	(57)	–	–	(172)
– Interest rate contracts and others	(525)	(1,136)	(3,976)	(7,073)	(740)	(13,450)
Total	(636)	(1,140)	(4,033)	(7,073)	(740)	(13,622)

(ii) Derivative settled on a gross basis

The Group's derivative financial instruments that will be settled on a gross basis mainly include foreign exchange and commodity derivatives.The table below analyses the undiscounted cash flows of the Group's derivative financial instruments which will be settled on a gross basis and are classified based on the remaining contractual period from the balance sheet date to maturity date.

As at 31 December 2023	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivative financial instruments settled on						
– Cash inflow	1,135,990	1,077,307	1,980,490	144,136	11,585	4,349,508
– Cash outflow	(1,135,816)	(1,075,969)	(1,981,905)	(144,536)	(11,553)	(4,349,779)
Total	174	1,338	(1,415)	(400)	32	(271)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(c) Derivative financial instruments cash flows (Continued)

(ii) Derivative settled on a gross basis (Continued)

As at 31 December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivative financial instruments settled on						
– Cash inflow	923,004	899,228	1,213,145	141,467	11,248	3,188,092
– Cash outflow	(924,062)	(898,343)	(1,211,701)	(141,797)	(11,106)	(3,187,009)
Total	(1,058)	885	1,444	(330)	142	1,083

(d) Maturity analysis

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date.

As at 31 December 2023	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	695,143	202,550	–	329	–	–	–	898,022
Due from and placements with banks and other financial institutions	–	–	70,015	336,651	131,534	238,325	70,169	12,948	859,642
Derivative financial assets	–	–	–	7,916	14,014	16,290	17,992	11,175	67,387
Loans and advances to customers	46,696	–	–	518,606	485,650	1,847,322	2,117,921	2,755,865	7,772,060
Financial investments at FVTPL	89	70,471	242,065	15,357	51,042	111,629	88,343	63,286	642,282
Financial investments at amortised cost	1,003	–	–	13,927	69,928	194,362	1,107,467	1,187,224	2,573,911
Financial investments at FVOCI	73	14,683	–	18,815	45,034	124,703	449,115	235,526	887,949
Other assets	2,003	247,290	69,547	–	–	4,165	36,214	–	359,219
Total assets	49,864	1,027,587	584,177	911,272	797,531	2,536,796	3,887,221	4,266,024	14,060,472
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(906,104)	(544,069)	(264,549)	(637,782)	(59,622)	(12,411)	(2,424,537)
Financial liabilities at FVTPL	–	(577)	(11,005)	(1,693)	(1,561)	(14,379)	(27,342)	–	(56,557)
Derivative financial liabilities	–	–	–	(7,795)	(12,030)	(18,144)	(10,465)	(2,541)	(50,975)
Deposits from customers	–	–	(3,191,422)	(878,497)	(687,874)	(1,370,261)	(2,423,158)	(3)	(8,551,215)
Other liabilities	–	–	(92,833)	(138,310)	(329,373)	(676,462)	(329,228)	(311,532)	(1,877,738)
Total liabilities	–	(577)	(4,201,364)	(1,570,364)	(1,295,387)	(2,717,028)	(2,849,815)	(326,487)	(12,961,022)
Net amount on liquidity gap	49,864	1,027,010	(3,617,187)	(659,092)	(497,856)	(180,232)	1,037,406	3,939,537	1,099,450

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(3) Liquidity risk *(Continued)*

(d) Maturity analysis (Continued)

As at 31 December 2022	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets									
Cash and balances with central banks	–	688,101	117,662	–	339	–	–	–	806,102
Due from and placements with banks and other financial institutions	–	–	135,359	167,125	93,769	212,200	70,862	11,106	690,421
Derivative financial assets	–	–	–	7,404	11,392	14,522	21,553	14,816	69,687
Loans and advances to customers	31,901	–	–	523,562	339,907	1,762,551	1,822,050	2,655,483	7,135,454
Financial investments at FVTPL	276	54,776	282,208	10,301	43,907	178,534	66,400	68,955	705,357
Financial investments at amortised cost	799	–	–	25,067	46,691	523,131	804,463	1,050,624	2,450,775
Financial investments at FVOCI	477	15,323	–	9,069	38,363	306,910	243,875	185,058	799,075
Other assets	2,054	223,001	70,133	–	–	1,908	37,604	–	334,700
Total assets	35,507	981,201	605,362	742,528	574,368	2,999,756	3,066,807	3,986,042	12,991,571
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(812,938)	(391,535)	(245,168)	(530,014)	(44,293)	(10,946)	(2,034,894)
Financial liabilities at FVTPL	–	–	(10,866)	(3,923)	(6,196)	(5,257)	(21,707)	–	(47,949)
Derivative financial liabilities	–	–	–	(8,133)	(10,589)	(13,964)	(10,858)	(3,260)	(46,804)
Deposits from customers	–	–	(3,118,072)	(869,185)	(628,192)	(1,452,998)	(1,880,606)	(19)	(7,949,072)
Other liabilities	–	–	(110,657)	(131,467)	(266,303)	(865,454)	(233,651)	(271,798)	(1,879,330)
Total liabilities	–	–	(4,052,533)	(1,404,243)	(1,156,448)	(2,867,687)	(2,191,115)	(286,023)	(11,958,049)
Net amount on liquidity gap	35,507	981,201	(3,447,171)	(661,715)	(582,080)	132,069	875,692	3,700,019	1,033,522

(e) Off-balance sheet items

The off-balance sheet items of the Group primarily comprise loan commitments, credit card commitments, letter of credit commitments, guarantee and letters of guarantee issued, acceptance notes, etc.. The table below lists the liquidity analysis of the off-balance sheet items of the Group, and financial guarantees are included at notional amounts and based on the earliest contractual maturity date.

As at 31 December 2023	**Up to 1 year**	**1-5 years**	**Over 5 years**	**Total**
Loan commitments and other credit related commitments	**953,626**	**31,706**	**42,008**	**1,027,340**
Guarantees, acceptances and letters of credit	**980,707**	**215,611**	**8,933**	**1,205,251**
Total	**1,934,333**	**247,317**	**50,941**	**2,232,591**

As at 31 December 2022	Up to 1 year	1-5 years	Over 5 years	Total
Loan commitments and other credit related commitments	1,011,599	36,001	32,397	1,079,997
Guarantees, acceptances and letters of credit	962,440	175,396	2,622	1,140,458
Total	1,974,039	211,397	35,019	2,220,455

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities

(a) Determination of fair value and valuation techniques

Some of the Group's financial assets and financial liabilities are measured at fair value. The Board of Directors is responsible for establishing a sound system of internal control over valuation and is ultimately responsible for the adequacy and effectiveness of the system of internal control and for reviewing and approving the policy for fair value accounting valuation of financial instruments. The Group has constructed an institutional approach and internal mechanism related to fair value valuation, which specifies valuation techniques, parameter selection and information disclosure, as well as the corresponding division of responsibilities.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(i) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(ii) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

(iii) Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial instruments with unadjusted quoted prices for identical instruments in active markets is determined by the open market quotations. These instruments are classified as level 1.

The Group uses valuation techniques to determine the fair value of financial instruments when an open market quotation in active markets is not obtainable.

If the key parameters used in valuation techniques for financial instruments are substantially observable and obtainable from active open market, the instruments are classified as level 2. The second hierarchy of financial instruments held by the Group mainly includes derivatives, debt securities and certificates of deposit without quotations from active market, unimpaired loans and advances to customers carried at FVOCI, precious metals and debt securities issued. The fair value of RMB denominated bonds is mainly valued based on the yield curves of the bonds from China Central Depository & Clearing Co., Ltd., while the fair value of the foreign currency denominated bonds is determined based on the valuation results published by Bloomberg. The fair value of foreign currency forwards and swaps, interest rate swaps, foreign currency options is estimated by the discounted cash flow method and Black-Scholes model. The fair value of precious metal contract is mainly determined in accordance with the closing prices of the Shanghai Gold Exchange or the settlement prices of the Shanghai Futures Exchange. The main parameters used in discounted cash flow model include recent market prices, the relevant yield curve, exchange rates and counterparty's credit spread. Main parameters used in Black-Scholes model include the relevant yield curve, exchange rate, level of volatilities and counterparty's credit spread, etc.. All parameters used in valuation techniques are substantially observable and obtainable from active open market.

For trust and asset management plan at fair value through profit or loss, impaired loans and advances to customers at fair value through other comprehensive income, the fair value is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk. These financial instruments are classified as level 3.

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities *(Continued)*

(a) Determination of fair value and valuation techniques (Continued)

For convertible bonds, restricted stock units, unlisted equities, unlisted funds and equity derivatives held by the Group, the fair value of these financial instruments are determined with reference to certain unobservable inputs, and therefore the instruments have been classified by the Group as level 3. The management determines the fair value of these financial instruments using a variety of techniques, the valuation methods used were mainly the discounted cash flow method and the market comparable companies method, including using valuation models that incorporate and take into account unobservable inputs such as interest's cash flow, risk-adjusted discount rate, price to book value ratio, price to earnings ratio and liquidity discounts. The Group has established internal control procedures to monitor the Group's exposure to such financial instruments.

(b) Financial instruments not measured at fair value

The table below summarises the carrying amount and fair value of those financial assets and liabilities that are not presented at fair value as at the date of statement of financial position. Financial assets and liabilities with carrying amount approximate to fair value, such as cash and balances with central banks, due from and placements with banks and other financial institutions, loans and advances to customers at amortised cost, due to and placements from banks and other financial institutions, and deposits from customers, are not included in the table below.

	As at 31 December 2023		As at 31 December 2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial asset				
Financial investments at amortised cost	**2,573,911**	**2,635,222**	2,450,775	2,484,041
Financial liabilities				
Debt securities issued	**(566,611)**	**(569,680)**	(516,353)	(514,389)

Fair value hierarchy of financial instruments not measured at fair value

As at 31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial asset				
Financial investments at amortised cost	**4,282**	**2,573,820**	**57,120**	**2,635,222**
Financial liabilities				
Debt securities issued	**–**	**(569,680)**	**–**	**(569,680)**

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial asset				
Financial investments at amortised cost	64,532	2,346,708	72,801	2,484,041
Financial liabilities				
Debt securities issued	–	(514,389)	–	(514,389)

The carrying amounts and fair values of other financial assets and liabilities (including loans and advances to customers at amortised cost, deposits from customers, due from and placements with banks and other financial institutions, due to and placements from banks and other financial institutions) are approximately the same, because the interest rates of most of these assets and liabilities are adjusted following the changes in interest rates determined by the PBOC, other regulatory bodies or market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities *(Continued)*

(c) Financial assets and financial liabilities measured at fair value on a recurring basis

The financial assets and liabilities measured at fair value on a recurring basis by the three levels are analysed below:

As at 31 December 2023	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Placements with banks and other financial institutions	–	13,035	–	13,035
Debt securities	1,187	223,348	2,707	227,242
Fund and asset management products	105,771	49,082	26,058	180,911
Equity investments and other investments	4,686	870	68,214	73,770
Precious metal contracts	–	4,524	–	4,524
Other debt investments	–	155,835	–	155,835
Derivative financial instruments	–	66,362	1,025	67,387
Loans and advances to customers	–	19	–	19
Subtotal	111,644	513,075	98,004	722,723
At fair value through other comprehensive income				
Debt Investments at FVOCI	2,523	868,192	2,551	873,266
Investments in equity instruments designated at FVOCI	8,544	–	6,139	14,683
Loans and advances to customers at FVOCI	–	398,460	19	398,479
Subtotal	11,067	1,266,652	8,709	1,286,428
Total assets	122,711	1,779,727	106,713	2,009,151

As at 31 December 2023	Level 1	Level 2	Level 3	Total
Placements from banks and other financial institutions	–	(11,464)	–	(11,464)
Financial liabilities at FVTPL	(6)	(56,015)	(536)	(56,557)
Derivative financial instruments	–	(50,975)	–	(50,975)
Debt securities issued	–	(25,564)	–	(25,564)
Total liabilities	(6)	(144,018)	(536)	(144,560)

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities *(Continued)*

(c) Financial assets and financial liabilities measured at fair value on a recurring basis (Continued)

As at 31 December 2022	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Debt securities	6,585	243,646	2,722	252,953
Fund and asset management products	154,825	32,506	21,849	209,180
Equity investments and other investments	5,725	4,164	62,315	72,204
Precious metal contracts	–	24,557	–	24,557
Other debt investments	–	146,463	–	146,463
Derivative financial instruments	–	68,509	1,178	69,687
Loans and advances to customers	–	27	–	27
Subtotal	167,135	519,872	88,064	775,071
At fair value through other comprehensive income				
Debt Investments at FVOCI	145,987	636,929	836	783,752
Investments in equity instruments designated at FVOCI	7,929	1,603	5,791	15,323
Loans and advances to customers at FVOCI	–	322,429	36	322,465
Subtotal	153,916	960,961	6,663	1,121,540
Total assets	321,051	1,480,833	94,727	1,896,611

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL	–	(47,949)	–	(47,949)
Derivative financial instruments	–	(46,804)	–	(46,804)
Debt securities issued	–	(14,508)	–	(14,508)
Total liabilities	–	(109,261)	–	(109,261)

For the year ended 31 December 2023 and 31 December 2022, the Group's financial assets and financial liabilities measured at fair value on a recurring basis have no significant transfers between Level 1 and Level 2.

Reconciliation of Level 3 items

	Financial assets at FVTPL	**Financial assets at FVOCI**	**Financial liabilities at FVTPL**
Balance at 1 January 2023	**88,064**	**6,663**	**–**
Total gains or losses			
– Net gains arising from trading activities	**586**	**78**	**–**
– Other comprehensive income	**–**	**316**	**–**
Additions	**31,051**	**2,209**	**(536)**
Disposals and settlement	**(21,697)**	**(565)**	**–**
Transfer from other levels	**–**	**8**	**–**
Balance at 31 December 2023	**98,004**	**8,709**	**(536)**
Total gains generated by financial assets held by the Group as at 31 December 2023			
– Realised gains	**3,411**	**75**	**–**
– Unrealised gains	**579**	**406**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(4) Fair value of financial assets and liabilities *(Continued)*

(c) Financial assets and financial liabilities measured at fair value on a recurring basis *(Continued)*

Reconciliation of Level 3 items (Continued)

	Financial assets at FVTPL	Financial assets at FVOCI
Balance at 1 January 2022	71,376	7,575
Total gains or losses		
– Net gains arising from trading activities	1,278	787
– Other comprehensive income	–	(2,275)
Additions	18,657	634
Disposals and settlement	(3,369)	(85)
Transfer from other levels	122	27
Balance at 31 December 2022	88,064	6,663
Total gains/(losses) generated by financial assets held by the Group as at 31 December 2022		
– Realised gains	2,384	785
– Unrealised losses	(1,106)	(2,273)

(5) Offsetting financial assets and liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such a mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRSs.

(6) Capital management

The “capital” in capital management is a broader concept than “shareholders’ equity” on the statement of financial position. The Group’s objectives in capital management are:

- To comply with the capital requirements set by the regulators of the markets where the Group operates;

- To ensure the Group’s ability to maintain a stable operation so as to continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(6) Capital management *(Continued)*

The Group management adopts administrative measures issued by the former CBIRC, which was developed based on guideline issued by the Basel Committee, in monitoring its capital adequacy ratio and the usage of regulatory capital on a quarterly basis. The quarterly monitored information is then submitted to China's National Financial Regulatory Administration (the "NFRA").

The Administrative Measures for the Capital Management of Commercial Banks (for Trial Implementation) specified the regulatory requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

- Minimum regulatory requirements for common equity tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio are 5%, 6% and 8%, respectively;
- Capital conservation buffer requires additional 2.5% on common equity tier-1 capital adequacy ratio;
- Additional capital surcharge for systemically important banks requires additional 0.75% on common equity tier-1 capital adequacy ratio;
- Should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements, these requirements shall be met within the specified time limits.

The Group's capital as monitored by its Planning and Finance Department consists of the following:

- Common equity tier-1 capital, including ordinary shares, eligible portion of capital surplus, statutory reserve, discretionary reserve, statutory general reserve, retained earnings, eligible portion of non-controlling interests and others;
- Additional tier-1 capital, including Additional tier-1 capital instruments issued and related premium and eligible portion of non-controlling interests;
- Tier-2 capital, including tier-2 capital instruments issued and related premium, excess loan loss provisions and eligible portion of non-controlling interests.

The Group's deductible items from common equity tier-1 capital include: Goodwill, other intangible assets (except land use rights), investments in common equity tier-1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation.

In 2014, the former CBIRC officially approved the implementation of the advanced approach of capital management, and the Group has steadily promoted the implementation and deepened application of advanced methods in accordance with regulatory requirements. The Group expanded the implementation scope of advanced methods and ended the transition period with the approval of the former CBIRC in 2018. According to the implementation scope of the advanced methods of capital management approved by the former CBIRC, the Group elected to use internal rating based ("IRB") approach for credit risk exposures, internal model approach for market risk exposures and standardised approach for operational risk exposures which is compliant with regulatory requirements. For credit risk exposures not covered by IRB, the corresponding portion shall be calculated by the weighted approach. For market risk exposures not covered by internal model approach, the corresponding portion shall be calculated by the standardised approach. For operational risk exposures not covered by standardised approach, the corresponding portion shall be calculated by basic indicator approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(6) Capital management *(Continued)*

The capital ratios calculated based on Administrative Measures for the Capital Management of Commercial Banks (for Trial Implementation) are as follows:

Items	**As at 31 December 2023**	As at 31 December 2022
Common equity tier-1 capital adequacy ratio (%)	**10.23**	10.06
Tier-1 capital adequacy ratio (%)	**12.22**	12.18
Capital adequacy ratio (%)	**15.27**	14.97
Common equity tier-1 capital	**912,456**	847,105
Common equity tier-1 capital deductions	**(7,062)**	(6,941)
Net common equity tier-1 capital	**905,394**	840,164
Additional tier-1 capital	**176,289**	176,480
Net tier-1 capital	**1,081,683**	1,016,644
Tier-2 capital	**269,433**	233,673
Net capital	**1,351,116**	1,250,317
Risk-weighted assets	**8,850,786**	8,350,074

4 NET INTEREST INCOME

	2023	2022
Interest income		
Loans and advances to customers	**306,150**	291,850
Financial investments	**111,647**	97,311
Due from and placements with banks and other financial institutions	**29,671**	17,886
Balances with central banks	**12,393**	11,020
Subtotal	**459,861**	418,067
Interest expense		
Deposits from customers	**(192,982)**	(163,457)
Due to and placements from banks and other financial institutions	**(55,150)**	(44,696)
Certificates of deposit issued	**(31,211)**	(24,225)
Debt securities issued	**(16,395)**	(15,807)
Subtotal	**(295,738)**	(248,185)
Net interest income	**164,123**	169,882

5 FEE AND COMMISSION INCOME

	2023	2022
Bank cards business	**18,762**	19,141
Custody and other fiduciary business	**8,004**	7,496
Wealth management business	**7,808**	10,154
Agency services	**5,274**	4,980
Guarantee and commitment	**3,201**	2,884
Investment banking	**2,521**	3,093
Settlement services	**1,375**	1,364
Others	**203**	227
Total	**47,148**	49,339

(All amounts expressed in millions of RMB unless otherwise stated)

6 FEE AND COMMISSION EXPENSE

	2023	2022
Bank card business	**2,341**	2,454
Settlement and agency services	**1,551**	1,649
Others	**252**	381
Total	**4,144**	4,484

7 NET GAINS ARISING FROM TRADING ACTIVITIES

	2023	2022
Financial instruments at FVTPL	**18,512**	5,808
Interest rate instruments and others	**7,799**	6,062
Foreign exchange	**(3,087)**	5,737
Total	**23,224**	17,607

Net gains or losses on foreign exchange include trading gains or losses and fair value changes of derivative instruments such as spot and forward contracts, currency swaps, cross currency interest rate swaps, currency options and the translation of foreign currency monetary assets and liabilities into RMB.

Net gains or losses on interest rate instruments and others include trading gains or losses and fair value changes of interest rate swaps, interest rate options, commodity and other derivatives.

Net gains arising from trading activities for the year ended 31 December 2023 included a net loss of RMB57 million (for the year ended 31 December 2022: a net gain of RMB274 million) in relation to changes in the fair value of financial liabilities designated at fair value through profit or loss.

8 OTHER OPERATING INCOME

	2023	2022
Leasing income	**19,478**	14,969
Insurance business income	**1,902**	1,712
Net gains on the disposal of fixed and foreclosed assets	**793**	739
Income from sales of precious metal merchandise	**681**	1,953
Revaluation of investment properties	**(176)**	166
Other miscellaneous income	**3,902**	4,677
Total	**26,580**	24,216

Other miscellaneous income mainly includes income arising from miscellaneous banking services provided to the Group's customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

9 CREDIT IMPAIRMENT LOSSES

	2023	2022
Loans and advances to customers at amortised cost	**54,211**	57,066
Due from and placements with banks and other financial institutions	**1,502**	(1,333)
Debt investments at FVOCI	**1,027**	598
Loans and advances to customers at FVOCI	**733**	840
Financial investments at amortised cost	**45**	(198)
Credit related commitments and financial guarantees	**(2,269)**	2,358
Others	**1,659**	1,080
Total	**56,908**	60,411

10 OTHER ASSETS IMPAIRMENT LOSSES

	2023	2022
Operating lease assets	**1,007**	1,882
Foreclosed assets	**61**	8
Investments in associates and joint ventures	**2**	–
Assets to be disposed	**(1)**	–
Precious metal	**(7)**	7
Total	**1,062**	1,897

11 OTHER OPERATING EXPENSES

	2023	2022
Staff costs and benefits (Note 12)	**41,092**	39,314
General operating and administrative expenses	**26,750**	28,187
Costs of operating lease business	**13,803**	9,879
Depreciation and amortisation	**9,527**	8,650
Insurance business expense	**4,429**	4,615
Tax and surcharges	**3,172**	3,119
(Reversal)/provision for outstanding litigations	**(14)**	56
Others	**1,587**	3,103
Total	**100,346**	96,923

12 STAFF COSTS

	Note	2023	2022
Salaries, bonuses, allowances and subsidies		**27,797**	26,918
Post-employment benefit	(1)	**4,797**	4,326
Other social security and benefit costs		**8,498**	8,070
Total		**41,092**	39,314

(All amounts expressed in millions of RMB unless otherwise stated)

12 STAFF COSTS *(Continued)*

(1) Post-employment benefit

Defined contribution plans

The Group participates in various defined contribution retirement benefit plans organised by municipal and provincial governments in Chinese Mainland, under which it is required to make monthly contributions to these plans based on certain percentage of the employees' basic salary for the year. The Group's contributions to these pension plans are charged to profit or loss and other comprehensive income in the year to which they relate.

Employees who retire at or after 1 January 2009 can voluntarily participate in an Annuity Plan. The Bank contributes to the Annuity Plan based on certain percentage of the employees' gross salary which is recognised in profit or loss as incurred.

As at 31 December 2023, there are no forfeited contributions under the Group's retirement benefit plans which can be used to deduct contributions payable for future years.

The amount recognised in profit or loss in the year is as follows:

	2023	2022
Expenses incurred for retirement benefit plans and unemployment insurance	**2,971**	2,674
Expenses incurred for annuity plan	**1,805**	1,626
Total	**4,776**	4,300

The amount payable at the end of the year is as follows:

	As at 31 December 2023	As at 31 December 2022
Payable for retirement benefit plans and unemployment insurance	**84**	85
Payable for annuity plan	**41**	41
Total	**125**	126

Defined benefit plans

The Group pays supplementary retirement benefits to employees in Chinese Mainland, who retired at or before 31 December 2008. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits, which are estimated by using key parameters such as inflation rate and mortality ratio, are discounted to their present values. The discount rate is the yield on government bonds at the end of reporting date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains or losses and changes in actuarial assumptions are recognised in other comprehensive income, and amendments to pension plan are recognised in profit or loss in the period of a plan amendment. The amounts recognised in the statement of financial position represent the present value of unfunded obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

12 STAFF COSTS *(Continued)*

(1) Post-employment benefit *(Continued)*

Defined benefit plans *(Continued)*

The Group's retirement benefit obligations in locations other than Chinese Mainland are immaterial and are made in accordance with the relevant local policies and regulations.

	As at 31 December 2023	As at 31 December 2022
Statement of financial position		
– Net obligations for pension benefits	**331**	396

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	2023	2022
Components of defined benefit costs recognised in profit or loss	**21**	26
Components of defined benefit (gains)/costs recognised in other comprehensive income	**(33)**	34
Total	**(12)**	60

Past service cost and interest expense are recognised in other operating expenses in the income statement.

Movements in the unfunded obligations over the year are as follows:

	2023	2022
Present value of unfunded obligations at the beginning of the year	**396**	385
Retirement benefits paid during the year	**(53)**	(49)
Interest expense	**18**	22
Past service cost	**3**	4
Net actuarial (gains)/losses recognised in the current year	**(33)**	34
Present value of unfunded obligations at the end of the year	**331**	396

The average duration of the supplementary retirement benefits plan at 31 December 2023 is 10.78 years (31 December 2022: 11.43 years).

The Group expects to make a contribution of RMB37 million (2022: RMB39 million) to the defined benefit plan during the next financial year.

12 STAFF COSTS *(Continued)*

(1) Post-employment benefit *(Continued)*

Defined benefit plans *(Continued)*

The supplementary retirement benefits plan exposes the Group to actuarial risks such as interest risk, longevity risk and inflation risk. A decrease in the government bond yield will increase the present value of unfunded obligations. The present value of unfunded obligations is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability. The present value of unfunded obligations is also measured by future payment standards, which are determined by inflation rate. Hence, an increase in inflation rate will increase the present value of the unfunded obligations.

The principal actuarial assumptions regarding interest risk and inflation risk used by the Group are discount rate and inflation rate, which were 2.70% (31 December 2022: 2.99%) and 0.42% (31 December 2022: 1.99%) respectively as at 31 December 2023. In the meantime, assumptions regarding future mortality rate are set based on published statistics by the former CBIRC. An average longevity of a pensioner after retirement at age 60 for male is 23.13 years (31 December 2022: 23.13 years) while a pensioner after retirement at age 55 for female is 33.13 years (31 December 2022: 33.13 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

13 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(1) Directors' and supervisors' emoluments before taxation

(in thousands of RMB)	Year ended 31 December 2023			
Name	Emoluments	Remuneration	Other benefits	Total
Executive directors				
Mr. Ren, Deqi	–	673	267	940
Mr. Liu, Jun	–	673	255	928
Non-executive directors				
Mr. Li, Longcheng	–	–	–	–
Mr. Wang, Linping	–	–	–	–
Mr. Chang, Baosheng	–	–	–	–
Mr. Liao, Yijian	–	–	–	–
Mr. Chan, Siu Chung	–	–	–	–
Mr. Mu, Guoxin	–	–	–	–
Mr. Chen, Junkui	–	–	–	–
Mr. Luo, Xiaopeng	–	–	–	–
Independent non-executive directors				
Mr. Cai, Haoyi	–	–	–	–
Mr. Shi, Lei	310	–	–	310
Mr. Zhang, Xiangdong	–	–	–	–
Ms. Li, Xiaohui	330	–	–	330
Mr. Ma, Jun	310	–	–	310
Mr. Wong Tin Chak	78	–	–	78
Supervisors				
Mr. Xu, Jiming	–	673	255	928
Mr. Wang, Xueqing	–	–	–	–
Mr. Li, Yao	–	280	–	280
Mr. Chen, Hanwen	–	280	–	280
Mr. Su, Zhi	–	260	–	260
Mr. Guan, Xingshe	–	1,040	250	1,290
Ms. Lin, Zhihong	–	1,040	250	1,290
Ms. Feng, Bing	–	816	250	1,066
Ms. Po, Ying	–	1,034	256	1,290
Total	1,028	6,769	1,783	9,580

(in thousands of RMB)	Year ended 31 December 2023			
Name	Emoluments	Remuneration	Other benefits	Total
Former directors and supervisors				
Raymond Woo Chin Wan	232	–	–	232
Total	232	–	–	232

13 EMOLUMENTS OF DIRECTORS AND SUPERVISORS *(Continued)*

(1) Directors' and supervisors' emoluments before taxation *(Continued)*

(in thousands of RMB)		Year ended 31 December 2022		
Name	Emoluments	Remuneration	Other benefits	Total
Executive directors				
Mr. Ren, Deqi	–	656	248	904
Mr. Liu, Jun	–	656	234	890
Non-executive directors				
Mr. Li, Longcheng	–	–	–	–
Mr. Wang, Linping	–	–	–	–
Mr. Chang, Baosheng	–	–	–	–
Mr. Liao, Yijian	–	–	–	–
Mr. Chan, Siu Chung	–	–	–	–
Mr. Mu, Guoxin	–	–	–	–
Mr. Chen, Junkui	–	–	–	–
Mr. Luo, Xiaopeng	–	–	–	–
Independent non-executive directors				
Raymond Woo Chin Wan	310	–	–	310
Mr. Cai, Haoyi	–	–	–	–
Mr. Shi, Lei	310	–	–	310
Mr. Zhang, Xiangdong	–	–	–	–
Ms. Li, Xiaohui	330	–	–	330
Mr. Ma, Jun	112	–	–	112
Supervisors				
Mr. Xu, Jiming	–	656	234	890
Mr. Wang, Xueqing	–	–	–	–
Mr. Li, Yao	–	280	–	280
Mr. Chen, Hanwen	–	267	–	267
Mr. Su, Zhi	–	132	–	132
Mr. Guan, Xingshe	–	1,010	239	1,249
Ms. Lin, Zhihong	–	830	239	1,069
Ms. Feng, Bing	–	830	239	1,069
Ms. Po, Ying	–	1,010	240	1,250
Total	1,062	6,327	1,673	9,062

(in thousands of RMB)		Year ended 31 December 2022		
Name	Emoluments	Remuneration	Other benefits	Total
Former directors and supervisors				
Mr. Song, Hongjun	–	–	–	–
Mr. Liu, Haoyang	–	–	–	–
Jason Yeung Chi Wai	155	–	–	155
Mr. Zhang, Minsheng	–	–	–	–
Ms. Xia, Zhihua	–	–	–	–
Mr. Ju, Jiandong	–	128	–	128
Total	155	128	–	283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
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13 EMOLUMENTS OF DIRECTORS AND SUPERVISORS *(Continued)*

(1) Directors' and supervisors' emoluments before taxation *(Continued)*

(a) The total compensation package for directors and supervisors for the year ended 31 December 2023 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have significant impact to the Group's financial statements for the year ended 31 December 2023. The final compensation will be disclosed in a separate announcement when determined. The final total compensation for the year ended 31 December 2022 was disclosed in the Information on the First Extraordinary General Meeting of Shareholders in 2024 issued on 28 February 2024.

(b) Employee supervisors Mr. Guan Xingshe, Ms. Lin Zhihong, Ms. Feng Bing and Ms. Po Ying received compensation according to their positions as employees of the Bank and did not receive additional compensation as employee supervisors.

(c) During 2023 and 2022, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration.

(d) Other benefits include social insurance, housing allowances, enterprise annuity paid by the Bank.

(2) Five highest paid individuals

The five highest paid individuals in the Group for the related years are as follows:

	2023	2022
Salary	35	25
Discretionary bonuses	58	64
Employer's contribution to pension scheme and other benefits	13	7
Total	106	96

Emoluments of the above five highest paid individuals in the Group are within the following bands:

	2023	2022
CNY16,000,001 – 16,500,000	–	1
CNY16,500,001 – 17,000,000	–	1
CNY17,000,001 – 17,500,000	–	–
CNY17,500,001 – 18,000,000	–	–
CNY18,000,001 – 18,500,000	–	–
CNY18,500,001 – 19,000,000	–	–
CNY19,000,001 – 19,500,000	–	–
CNY19,500,001 – 20,000,000	–	1
CNY20,000,001 – 20,500,000	1	–
CNY20,500,001 – 21,000,000	1	1
CNY21,000,001 – 21,500,000	1	–
CNY21,500,001 – 22,000,000	1	–
CNY22,000,001 – 22,500,000	–	–
CNY22,500,001 – 23,000,000	–	–
CNY23,000,001 – 23,500,000	1	1
Total	5	5

During 2023 and 2022, no emolument was paid by the Group to any of the directors, supervisors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(All amounts expressed in millions of RMB unless otherwise stated)

14 INCOME TAX

	2023	2022
Current income tax		
– Enterprise income tax	**5,604**	9,919
– Hong Kong profits tax	**802**	464
– Other countries or regions	**929**	715
Subtotal	**7,335**	11,098
Deferred income tax (Note 24)	**(889)**	(4,938)
Total	**6,446**	6,160

The provision for enterprise income tax in Chinese Mainland is calculated based on the statutory rate of 25% of the assessable income of the Bank and each of the subsidiary established in Chinese Mainland. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the difference between tax paid by overseas branches and the accrued tax under the regulation of Chinese Mainland shall be compensated by the head office.

The actual taxation on the Group differs from the theoretical amount calculated using the Group's profit before tax at the tax rate of 25%. The major reconciliation items are as follows:

	Note	**2023**	2022
Profit before tax		**99,698**	98,115
Tax calculated at statutory rate of 25%		**24,924**	24,529
Effects of different tax rates prevailing in other countries or regions		**(73)**	122
Effects of non-deductible expenses	(1)	**6,554**	4,356
Effects of non-taxable income	(2)	**(23,746)**	(20,982)
Adjustments for income tax filing of prior years		**163**	(487)
Others		**(1,376)**	(1,378)
Income tax		**6,446**	6,160

(1) Non-deductible expenses primarily represent non-deductible write-offs.

(2) Non-taxable income primarily represents interest income from PRC treasury bonds and municipal government bonds and fund investment income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
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15 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average number of ordinary shares in issue during the year.

	2023	2022
Net profit attributable to shareholders of the parent company	**92,728**	92,102
Less: Dividends paid to preference shareholders	**(1,832)**	(1,832)
Interest paid to perpetual bond holders	**(5,641)**	(5,651)
Net profit attributable to holders of ordinary shares of the parent company	**85,255**	84,619
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the year	**74,263**	74,263
Basic and diluted earnings per share (expressed in RMB per share)	**1.15**	1.14

For the calculation of basic earnings per share, a cash dividend of RMB1,832 million on preference shares and interests of RMB5,641 million on perpetual bond declared for the year was deducted from the amounts attributable to shareholders of the parent company. The conversion feature of preference shares may lead to the possible existence of contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2023, and therefore the conversion feature of preference shares has no effect on the calculation of the basic and diluted earnings per share.

16 CASH AND BALANCES WITH CENTRAL BANKS

	As at 31 December 2023	As at 31 December 2022
Cash	**12,477**	13,839
Mandatory reserve deposits	**694,211**	683,401
Surplus reserve deposits	**190,073**	103,823
Fiscal deposits	**932**	4,700
Accrued interest	**329**	339
Total	**898,022**	806,102

The Group is required to place statutory reserves with the PBOC and overseas central banks, including RMB and foreign currency deposit reserves and foreign exchange risk reserves for forward foreign exchange sales businesses, which are not allowed to be used in the Group's daily operations.

Surplus reserve deposits with central banks are mainly used for capital settlement, financial institution transfer, etc.

Reserve rate for deposits denominated in RMB of the Group's subsidiaries in Chinese Mainland is subject to relevant regulations of the PBOC.

Mandatory reserve rate for deposits with central banks of overseas countries and regions is subject to regulations of local regulatory bodies.

(All amounts expressed in millions of RMB unless otherwise stated)

17 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2023	As at 31 December 2022
Due from banks and other financial institutions		
– Banks and other financial institutions operating in Chinese Mainland	**74,753**	120,905
– Banks and other financial institutions operating outside Chinese Mainland	**34,045**	34,371
Accrued interest	**425**	368
Less: Allowance for impairment losses	**(267)**	(209)
Financial assets purchased under repurchase agreements		
– Securities	**200,438**	49,715
– Bills	**499**	6,995
Accrued interest	**56**	11
Less: Allowance for impairment losses	**(602)**	(88)
Placements with and loans to banks		
– Banks operating in Chinese Mainland	**107,522**	80,566
– Banks operating outside Chinese Mainland	**115,803**	126,829
Placements with and loans to other financial institutions		
– Placements with and loans to other financial institutions in Chinese Mainland	**257,638**	196,730
– Placements with and loans to other financial institutions outside Chinese Mainland	**65,272**	70,572
Accrued interest	**5,740**	4,393
Less: Allowance for impairment losses	**(1,680)**	(737)
Total	**859,642**	690,421

As at 31 December 2023 and 31 December 2022, due from banks and other financial institutions of the Group included pledged deposits, risk reserves and other deposits. The use of these deposits is restricted.

18 DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the changes in a specified foreign exchange rate, interest rate, commodity price or other similar variables. The Group utilize derivative financial instruments for trading or hedging purposes, including forwards, swaps and options.

The notional amount of a derivative represents the underlying amount of the specific financial instruments mentioned above. It indicates the volume of business transacted by the Group but does not reflect the risk.

The notional amounts and fair values of derivative financial instruments held by the Group are set out below:

As at 31 December 2023	**Contractual/ notional amount**	**Fair values**	
		Assets	**Liabilities**
Foreign exchange and commodity contracts	**4,455,867**	**38,859**	**(39,293)**
Interest rate contracts and others	**3,451,974**	**28,528**	**(11,682)**
Total amount of derivative financial instruments recognised	**7,907,841**	**67,387**	**(50,975)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

18 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2022	Contractual/ notional amount	Fair values Assets	Liabilities
Foreign exchange and commodity contracts	3,406,796	34,499	(34,648)
Interest rate contracts and others	3,076,875	35,188	(12,156)
Total amount of derivative financial instruments recognised	6,483,671	69,687	(46,804)

(1) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value arising from changes in interest rates. Some purchased interest rate swap contracts are designated as hedging instruments, whose terms are identical with those of the corresponding hedged items regarding interest rate, maturity and currency. The Group uses regression analysis and critical term match to evaluate the effectiveness of hedging. With the support of testing results, the Group's management considers the hedging relationship to be highly effective.

The gain and loss arising from the ineffective portion recognized in net trading gains were immaterial in 2023 and 2022.

	As at 31 December 2023			As at 31 December 2022			
	Contractual/ notional amount	**Fair values Assets**	**Liabilities**	Contractual/ notional amount	Fair values Assets	Liabilities	Line items in the statement of financial position
Interest rate contract	**230,540**	**12,002**	**(898)**	177,797	15,934	(20)	Derivative financial assets/liabilities

(a) The changes in fair value of the hedging instruments and net gains or losses arising from the hedged risk relating to the hedged items are set out below:

	2023	2022
Net losses from fair value hedges:		
Hedging instruments	**(4,669)**	15,231
Hedged items attributable to the hedged risk	**4,565**	(15,553)
Total	**(104)**	(322)

(b) The following table shows the fair value hedge notional amounts with remaining maturity of:

	Up to 1 month	1 –3 months	3 –12 months	1 –5 years	Over 5 years	Total
As at 31 December 2023	**1,279**	**7,715**	**14,762**	**132,865**	**73,919**	**230,540**
As at 31 December 2022	1,252	2,457	10,686	100,884	62,518	177,797

(All amounts expressed in millions of RMB unless otherwise stated)

18 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(1) Fair value hedge *(Continued)*

(c) Details of the Group's hedged items in fair value hedges are as follows:

	As at 31 December 2023				
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged item		
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Line items in the statement of financial position**
Bonds	**204,123**	**–**	**(10,967)**	**–**	Financial investments at amortised cost/ Financial investments at fair value through other comprehensive income
Others	**17,042**	**(884)**	**(10)**	**2**	Due from and placements with banks and other financial institutions/Loans and advances to customers/Debt securities issued
Total	**221,165**	**(884)**	**(10,977)**	**2**	

	As at 31 December 2022				
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged item		
	Assets	Liabilities	Assets	Liabilities	Line items in the statement of financial position
Bonds	163,017	–	(15,916)	–	Financial investments at amortised cost/ Financial investments at fair value through other comprehensive income
Others	1,791	–	(111)	–	Due from and placements with banks and other financial institutions/Loans and advances to customers
Total	164,808	–	(16,027)	–	

(2) Cash flow hedge

The Group uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks and uses interest rate swaps to hedge against exposures to cash flow variability primarily resulting from interest rate risks. The hedged items include due from and placements with banks and other financial institutions, loans and advances to customers, debt investments at FVOCI, debt securities issued, due to and placements from banks and other financial institutions, certificates of deposits issued and other assets. The Group mainly uses regression analysis and critical term match to evaluate the effectiveness of hedging.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

18 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(2) Cash flow hedge *(Continued)*

Gains and losses arising from the portion of hedge ineffectiveness recognised in cash flow hedges were not material in 2023 and 2022.

	As at 31 December 2023			As at 31 December 2022			
	Contractual/ notional amount	**Fair values Assets**	**Fair values Liabilities**	Contractual/ notional amount	Fair values Assets	Fair values Liabilities	Line items in the statement of financial position
Foreign exchange contract	**148,892**	**1,225**	**(2,103)**	54,918	1,068	(1,201)	Derivative financial assets/ liabilities
Interest rate contract	**22,063**	**603**	**(22)**	20,965	975	(1)	Derivative financial assets/ liabilities
Total	**170,955**	**1,828**	**(2,125)**	75,883	2,043	(1,202)	

(a) The following table shows the cash flow hedge notional amounts with remaining maturity of:

	Up to 1 month	1 –3 months	3 –12 months	1 –5 years	Over 5 years	Total
As at 31 December 2023	**13,911**	**43,152**	**78,265**	**32,117**	**3,510**	**170,955**
As at 31 December 2022	5,874	13,719	26,589	22,997	6,704	75,883

(b) Information on the Group's risk exposures in cash flow hedges and the impact on equity and profit or loss is as follows:

2023

	hedged items		**Hedging instruments**			
	Assets	**Liabilities**	**Fair value changes on hedging instruments recognised in Other comprehensive income**	**Reclassifications from the cash flow hedge reserve to profit or loss**	**Line item in the statement of profit or loss including reclassifications**	**cash flow hedge reserve**
Foreign risk	34,461	(107,383)	440	(85)	Net gains arising from trading activities	(350)
Interest risk	1,422	(20,662)	385	18	Net gains arising from trading activities	266
Total	35,883	(128,045)	825	(67)		(84)

(All amounts expressed in millions of RMB unless otherwise stated)

18 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

(2) Cash flow hedge *(Continued)*

2022

	hedged items				Hedging instruments	
	Assets	Liabilities	Fair value changes on hedging instruments recognised in Other comprehensive income	Reclassifications from the cash flow hedge reserve to profit or loss	Line item in the statement of profit or loss including reclassifications	cash flow hedge reserve
Foreign risk	29,479	(52,009)	(1,414)	1,606	Net gains arising from trading activities	(7)
Interest risk	2,618	(16,481)	(1,150)	–	None	(686)
Total	32,097	(68,490)	(2,564)	1,606		(693)

19 LOANS AND ADVANCES TO CUSTOMERS

(1) Loans and advances to customers

	As at 31 December 2023	As at 31 December 2022
Loans and advances to customers		
– Carried at amortised cost	**7,558,587**	6,972,473
– Carried at FVOCI	**398,479**	322,465
– Carried at FVTPL	**19**	27
Less: Allowance for impairment losses	**(203,775)**	(176,178)
Accrued interest	**21,380**	18,575
Less: Allowance for impairment losses of accrued interest	**(2,630)**	(1,908)
Total	**7,772,060**	7,135,454

(2) Loans and advances to customers analysed by security type

	As at 31 December 2023	As at 31 December 2022
Unsecured loans	**2,883,274**	2,461,988
Guaranteed loans	**1,288,963**	1,179,381
Loans secured by collateral	**2,904,861**	2,579,866
Pledged loans	**879,987**	1,073,730
Total	**7,957,085**	7,294,965

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(3) Movements of ECL allowance

Movements of ECL allowance – Loans and advances to customers at amortised cost:

	For the year ended 31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**68,795**	**45,385**	**61,998**	**176,178**
Transfers:				
Transfer to Stage 1	***6,721***	***(5,464)***	***(1,257)***	**–**
Transfer to Stage 2	***(3,045)***	***7,082***	***(4,037)***	**–**
Transfer to Stage 3	***(598)***	***(12,526)***	***13,124***	**–**
Provision	**8,735**	**20,655**	**24,014**	**53,404**
Written-offs and disposals	**–**	**–**	**(31,046)**	**(31,046)**
Recovery of loans and advances written off in previous years	**–**	**–**	**5,662**	**5,662**
Others	**64**	**208**	**(695)**	**(423)**
As at 31 December 2023	**80,672**	**55,340**	**67,763**	**203,775**

	For the year ended 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	57,403	38,892	63,794	160,089
Transfers:				
Transfer to Stage 1	*3,904*	*(3,553)*	*(351)*	–
Transfer to Stage 2	*(5,520)*	*7,051*	*(1,531)*	–
Transfer to Stage 3	*(261)*	*(13,341)*	*13,602*	–
Provision	13,044	15,867	28,351	57,262
Written-offs and disposals	–	–	(46,242)	(46,242)
Recovery of loans and advances written off in previous years	–	–	5,146	5,146
Others	225	469	(771)	(77)
As at 31 December 2022	68,795	45,385	61,998	176,178

Movements of ECL allowance – Loans and advances to customers at FVOCI:

	For the year ended 31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**1,522**	**240**	**79**	**1,841**
Transfers:				
Transfer to Stage 1	**–**	**–**	**–**	**–**
Transfer to Stage 2	**–**	**–**	**–**	**–**
Transfer to Stage 3	**–**	**–**	**–**	**–**
Provision/(reversal)	**759**	**(49)**	**23**	**733**
Written-offs and disposals	**–**	**–**	**(53)**	**(53)**
Recovery of loans and advances written off in previous years	**–**	**–**	**17**	**17**
Others	**–**	**–**	**(4)**	**(4)**
As at 31 December 2023	**2,281**	**191**	**62**	**2,534**

(All amounts expressed in millions of RMB unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(3) Movements of ECL allowance *(Continued)*

	For the year ended 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	937	48	88	1,073
Transfers:				
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	*(1)*	*(22)*	*23*	–
Provision	586	214	40	840
Written off in previous years	–	–	(71)	(71)
Others	–	–	(1)	(1)
As at 31 December 2022	1,522	240	79	1,841

(4) Overdue loans analysed by security type

	As at 31 December 2023				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**22,164**	**9,447**	**6,363**	**135**	**38,109**
Guaranteed loans	**2,851**	**9,326**	**7,081**	**1,549**	**20,807**
Loans secured by collateral	**14,614**	**12,731**	**8,898**	**4,618**	**40,861**
Pledged loans	**2,098**	**3,423**	**4,478**	**345**	**10,344**
Total	**41,727**	**34,927**	**26,820**	**6,647**	**110,121**

	As at 31 December 2022				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	12,049	10,165	5,279	100	27,593
Guaranteed loans	2,626	8,632	3,532	1,315	16,105
Loans secured by collateral	11,399	9,193	8,867	2,584	32,043
Pledged loans	1,663	5,490	1,405	529	9,087
Total	27,737	33,480	19,083	4,528	84,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

20 FINANCIAL INVESTMENTS

	As at 31 December 2023	As at 31 December 2022
Financial investments at FVTPL		
– Listed in Hong Kong	**33,898**	72,510
– Listed outside Hong Kong	**189,509**	210,783
– Unlisted	**418,875**	422,064
Total	**642,282**	705,357
Financial investments at amortised cost		
– Listed in Hong Kong	**22,977**	27,336
– Listed outside Hong Kong	**2,433,583**	2,265,215
– Unlisted	**93,268**	132,584
Accrued interest	**27,721**	28,404
Less: Allowance for impairment losses	**(3,638)**	(2,764)
Total	**2,573,911**	2,450,775
Financial investments at FVOCI		
Debt investments at FVOCI		
– Listed in Hong Kong	**68,428**	157,408
– Listed outside Hong Kong	**710,140**	536,770
– Unlisted	**85,366**	81,242
Accrued interest	**9,332**	8,332
Subtotal	**873,266**	783,752
Equity investments at FVOCI		
– Listed in Hong Kong	**3,765**	5,600
– Listed outside Hong Kong	**4,827**	3,932
– Unlisted	**6,091**	5,791
Subtotal	**14,683**	15,323
Total	**887,949**	799,075

Debt securities traded in the China domestic inter-bank bond market are included in Listed outside Hong Kong.

The financial investments at fair value through profit or loss include financial assets held for trading and financial assets that cannot pass the SPPI test.

The Group designates part of non-trading equity investments as financial investments measured at FVOCI.

For the year ended 31 December 2023, the Group's cash dividends received from equity investments at FVOCI was RMB652 million (for the year ended 31 December 2022: RMB785 million). For the year ended 31 December 2023, The Group's cumulative gain transferred from other comprehensive income to unappropriated profits as a result of the disposal of such equity investments amounted to RMB130 million (for the year ended 31 December 2022: RMB101 million).

(All amounts expressed in millions of RMB unless otherwise stated)

20 FINANCIAL INVESTMENTS *(Continued)*

Debt securities analysed by issuer are as follows:

	As at 31 December 2023	As at 31 December 2022
Financial investments at FVTPL		
– Governments and central banks	**107,622**	102,349
– Banks and other financial institutions	**81,756**	80,601
– Corporate entities	**37,823**	69,443
– Public sector entities	**41**	560
Total	**227,242**	252,953
Financial investments at amortised cost		
– Governments and central banks	**2,325,862**	2,148,425
– Banks and other financial institutions	**130,444**	164,060
– Corporate entities	**44,057**	44,734
– Public sector entities	**17,768**	22,708
Total	**2,518,131**	2,379,927
Debt investments at FVOCI		
– Governments and central banks	**403,116**	375,231
– Banks and other financial institutions	**336,966**	294,348
– Corporate entities	**115,340**	99,511
– Public sector entities	**17,844**	14,662
Total	**873,266**	783,752

The movements in allowance for impairment losses of financial investments at amortised cost are summarised as follows:

	For the year ended 31 December 2023			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
As at 31 December 2022	**1,547**	**260**	**957**	**2,764**
Changes in accounting policies	**(8)**	**–**	**–**	**(8)**
As at 1 January 2023	**1,539**	**260**	**957**	**2,756**
Transfers:				
Transfer to Stage 1	***–***	***–***	***–***	***–***
Transfer to Stage 2	***(6)***	***6***	***–***	***–***
Transfer to Stage 3	***–***	***(6)***	***6***	***–***
Provision/(reversal)	**127**	**229**	**(311)**	**45**
Others	**2**	**508**	**327**	**837**
As at 31 December 2023	**1,662**	**997**	**979**	**3,638**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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20 FINANCIAL INVESTMENTS *(Continued)*

	For the year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2022	1,695	371	892	2,958
Transfers:				
Transfer to Stage 1	*126*	*(126)*	–	–
Transfer to Stage 2	*(2)*	*2*	–	–
Transfer to Stage 3	–	–	–	–
(Reversal)/provision	(274)	12	64	(198)
Others	2	1	1	4
As at 31 December 2022	1,547	260	957	2,764

The movements in allowance for impairment losses of debt investments at FVOCI are summarised as follows:

	For the year ended 31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 31 December 2022	**628**	**13**	**890**	**1,531**
Changes in accounting policies	**8**	**–**	**–**	**8**
As at 1 January 2023	**636**	**13**	**890**	**1,539**
Transfers:				
Transfer to Stage 1	**–**	**–**	**–**	**–**
Transfer to Stage 2	***(3)***	***3***	**–**	**–**
Transfer to Stage 3	***(1)***	***(5)***	***6***	**–**
Provision	**451**	**22**	**554**	**1,027**
Write-offs during the year	**–**	**–**	**(362)**	**(362)**
Others	**11**	**(10)**	**226**	**227**
As at 31 December 2023	**1,094**	**23**	**1,314**	**2,431**

	For the year ended 31 December 2022			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2022	555	10	456	1,021
Transfers:				
Transfer to Stage 1	–	–	–	–
Transfer to Stage 2	*(3)*	*3*	–	–
Transfer to Stage 3	*(1)*	*(20)*	*21*	–
Provision	1	24	573	598
Others	76	(4)	(160)	(88)
As at 31 December 2022	628	13	890	1,531

(All amounts expressed in millions of RMB unless otherwise stated)

21 PRINCIPAL SUBSIDIARIES

Name of subsidiaries	Legal representative/ Principal	Registered capital	Nature of entity	Place of operation	Place of registration	Nature of business	Principal business	Proportion of shares held Direct	Proportion of shares held Indirect	Means of acquisition
Bank of Communications Financial Leasing Co., Ltd.	Xu Bin	RMB20,000,000,000	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Financial leasing	100.00	–	Establishment
Bank of Communications International Trust Co., Ltd.	Tong Xuewei	RMB5,764,705,882	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Trust investment	85.00	–	Investment
Bank of Communications Schroder Fund Management Co., Ltd.	Ruan Hong	RMB200,000,000	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Fund management	65.00	–	Establishment
BOCOM Wealth Management Co., Ltd.	Zhang Hongliang	RMB8,000,000,000	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Financial products issuing and financial consulting	100.00	–	Establishment
BOCOM MSIG Life Insurance Company Limited	Wang Qingyan	RMB5,100,000,000	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Life Insurance	62.50	–	Investment
Bank of Communications Financial Assets Investment Co., Ltd.	Chen Wei	RMB15,000,000,000	Limited liability company	Shanghai, China	Chinese Mainland	Financial industry	Debt-to-equity swaps	100.00	–	Establishment
BoCom International Holdings Company Limited	Tan Yueheng	HKD2,734,392,000	Foreign legal entity	Hong Kong, China	Hong Kong China	Financial industry	Securities dealing and brokerage	73.14	–	Establishment
China BoCom Insurance Co., Ltd.	Zhu Junxian	HKD400,000,000	Foreign legal entity	Hong Kong, China	Hong Kong China	Financial industry	General insurance and reinsurance	100.00	–	Establishment
Dayi BoCom Xingmin Rural Bank Ltd.	Liu Yike	RMB230,000,000	Limited liability company	Sichuan, China	Chinese Mainland	Financial industry	Commercial banking	97.29	–	Establishment
Zhejiang Anji BoCom Rural Bank Ltd.	Xu Tong	RMB180,000,000	Joint stock company	Zhejiang, China	Chinese Mainland	Financial industry	Commercial banking	51.00	–	Establishment
Xinjiang Shihezi BoCom Rural Bank Company Ltd.	Fang Linhai	RMB150,000,000	Joint stock company	Xinjiang, China	Chinese Mainland	Financial industry	Commercial banking	51.00	–	Establishment
Qingdao Laoshan BoCom Rural Bank Company Ltd.	Sheng Liang	RMB150,000,000	Joint stock company	Shandong, China	Chinese Mainland	Financial industry	Commercial banking	51.00	–	Establishment
Bank of Communications (Hong Kong) Limited	Meng yu	HKD37,900,000,000	Foreign legal entity	Hong Kong, China	Hong Kong China	Financial industry	Commercial banking	100.00	–	Establishment
Bank of Communications (Luxemburg) Limited	Zhang Shuren	EUR350,000,000	Foreign legal entity	Luxembourg	Luxembourg	Financial industry	Commercial banking	100.00	–	Establishment
Bocom Brazil Holding Company Ltda	Sun Xu	BRL700,000,000	Foreign legal entity	Rio de Janeiro, Brazil	Brazil	Non-financial industry	Investment	100.00	–	Establishment
BANCO BoCom BBM S.A.	Alexandre Lowenkron	BRL469,300,389	Foreign legal entity	Rio de Janeiro, Brazil	Brazil	Financial industry	Commercial banking	–	80.00	Investment

As at 31 December 2023, the amount of non-controlling interests of these subsidiaries is insignificant to the Group.

22 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 31 December 2023	As at 31 December 2022
Investments in associates		
Investment cost	**6,474**	6,474
Share of net profit of associates	**2,204**	1,866
Share of other equity changes of associates	**103**	114
Dividend income	**(372)**	(283)
Allowance for impairment losses	**(2)**	–
Subtotal	**8,407**	8,171
Investments in joint ventures	**583**	579
Total	**8,990**	8,750

The Group performed impairment tests on investments in associates and joint ventures. The recoverable amount of the associates and joint ventures is determined based on the discounted future cash flows of the associates and joint ventures. The cash flow projections are based on financial forecasts approved by management of the the associates and joint ventures. The average growth rates, discount rate, and other assumptions adopted to forecast cash flows respectively reflect the specific risks associated with them.

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22 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(Continued)*

The Group's investments in associates mainly include the investments in Jiangsu Changshu Rural Commercial Bank Co., Ltd., Bank of Tibet Co., Ltd., National Green Development Fund Co., Ltd. and Guomin Pension & Insurance Co., Ltd..

Jiangsu Changshu Rural Commercial Bank Co., Ltd. was incorporated in Changshu City, Jiangsu Province on 3 December 2001. The registered capital of the entity is RMB2,741 million, and the principal activities of the entity are banking activities. The Group held 9.01% of equity interest in this associate as at 31 December 2023 (31 December 2022: 9.01%).

Bank of Tibet Co., Ltd. was incorporated in Tibet Autonomous Region, PRC on 30 December 2011. The registered capital of the entity is RMB3,320 million, and the principal activities of the entity are banking activities. The Group held 10.60% of equity interest in this associate as at 31 December 2023 (31 December 2022: 10.60%).

National Green Development Fund Co., Ltd. was incorporated in Shanghai on 14 July 2020. The registered capital of the entity is RMB88,500 million, and the principal activities of the entity are fund management activities. The Group held 8.47% of equity interest in this associate as at 31 December 2023 (31 December 2022: 8.47%).

Guomin Pension & Insurance Co., Ltd. was incorporated in Beijing on 22 March 2022. The registered capital of the entity is RMB11,150 million, and the principal activities of the entity are pension insurance activities. The Group held 8.97% of equity interest in this associate as at 31 December 2023 (31 December 2022: 8.97%).

23 PROPERTY AND EQUIPMENT

	Buildings	Construction in progress	Equipments and transportation equipments	Equipments under operating leases	Total
Cost					
As at 1 January 2023	75,563	3,515	30,312	175,378	284,768
Additions	1,521	631	3,881	42,935	48,968
Construction in progress transfer in/(out)	2,033	(2,033)	–	–	–
Transfer from investment properties	701	–	–	–	701
Decreases	(1,579)	(71)	(2,392)	(12,277)	(16,319)
As at 31 December 2023	78,239	2,042	31,801	206,036	318,118
Accumulated depreciation					
As at 1 January 2023	(32,070)	–	(21,087)	(33,294)	(86,451)
Charge for the year	(2,770)	–	(3,553)	(9,322)	(15,645)
Decreases	787	–	2,174	3,117	6,078
As at 31 December 2023	(34,053)	–	(22,466)	(39,499)	(96,018)
Allowance for impairment losses					
As at 1 January 2023	–	(16)	–	(4,132)	(4,148)
Charge for the year	–	–	–	(1,007)	(1,007)
Decrease	–	–	–	806	806
As at 31 December 2023	–	(16)	–	(4,333)	(4,349)
Net book value					
As at 31 December 2023	44,186	2,026	9,335	162,204	217,751

(All amounts expressed in millions of RMB unless otherwise stated)

23 PROPERTY AND EQUIPMENT *(Continued)*

	Buildings	Construction in progress	Equipments and transportation equipments	Equipments under operating leases	Total
Cost					
As at 1 January 2022	74,687	2,963	27,454	143,867	248,971
Additions	417	1,060	4,858	38,830	45,165
Construction in progress transfer in	505	(505)	–	–	–
Transfer from investment properties	329	–	–	–	329
Transfer into investment properties	(139)	–	–	–	(139)
Decreases	(236)	(3)	(2,000)	(7,319)	(9,558)
As at 31 December 2022	75,563	3,515	30,312	175,378	284,768
Accumulated depreciation					
As at 1 January 2022	(29,395)	–	(20,329)	(25,549)	(75,273)
Charge for the year	(2,793)	–	(2,612)	(9,629)	(15,034)
Transfer into investment properties	17	–	–	–	17
Decreases	101	–	1,854	1,884	3,839
As at 31 December 2022	(32,070)	–	(21,087)	(33,294)	(86,451)
Allowance for impairment losses					
As at 1 January 2022	–	(16)	–	(2,488)	(2,504)
Charge for the year	–	–	–	(1,882)	(1,882)
Decrease	–	–	–	238	238
As at 31 December 2022	–	(16)	–	(4,132)	(4,148)
Net book value					
As at 31 December 2022	43,493	3,499	9,225	137,952	194,169

As at 31 December 2023, the net book value of the operating leased aircrafts, vessels and equipments used as collateral for borrowings was RMB64,550 million (31 December 2022: RMB52,416 million).

As at 31 December 2023, the property and equipment with re-registration procedure not completed amounted to RMB173 million (31 December 2022: RMB174 million). However, this registration process does not affect the rights of the Group to these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(All amounts expressed in millions of RMB unless otherwise stated)

24 DEFERRED INCOME TAX

Deferred income taxes for transactions in PRC are calculated on all temporary differences using an effective tax rate of 25% for the year ended 31 December 2023 (for the year ended 31 December 2022: 25%). Deferred income taxes for transactions in Hong Kong are calculated on all temporary differences using an effective tax rate of 16.5% (for the year ended 31 December 2022: 16.5%).

Deferred income tax assets and liabilities are attributable to the following items:

	As at 31 December 2023		As at 31 December 2022	
	Deductible/ (taxable) temporary differences	**Deferred income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
Allowance for impairment of assets	**143,596**	**35,899**	134,772	33,693
Changes in fair value of derivative financial liabilities	**53,312**	**13,328**	57,312	14,328
Provisions	**9,524**	**2,381**	11,928	2,982
Changes in fair value of financial instruments at FVTPL	**8,264**	**2,066**	9,824	2,456
Changes in fair value of financial assets at FVOCI	**6,456**	**1,614**	11,688	2,922
Others	**20,948**	**5,237**	14,889	3,723
Subtotal	**242,100**	**60,525**	240,413	60,104
Deferred income tax liabilities				
Changes in fair value of derivative financial assets	**(64,920)**	**(16,230)**	(68,464)	(17,116)
Changes in fair value of financial instruments at FVTPL	**(2,704)**	**(676)**	(1,167)	(292)
Changes in fair value of financial assets at FVOCI	**(2,120)**	**(530)**	(1,780)	(445)
Others	**(20,468)**	**(5,117)**	(18,098)	(4,525)
Subtotal	**(90,212)**	**(22,553)**	(89,509)	(22,378)
Net deferred income tax assets	**151,888**	**37,972**	150,904	37,726

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities and entities:

	As at 31 December 2023	As at 31 December 2022
Deferred income tax assets	**40,379**	39,512
Deferred income tax liabilities	**(2,407)**	(1,786)

	2023	2022
Net opening balance	**37,726**	30,655
Net change in deferred income tax recognised in income tax expense in the current year	**889**	4,938
Net changes in deferred income tax recognised in other comprehensive income in the current year	**(643)**	2,133
Net ending balance	**37,972**	37,726

(All amounts expressed in millions of RMB unless otherwise stated)

25 OTHER ASSETS

	Note	As at 31 December 2023	As at 31 December 2022
Accounts receivable and temporary payments		**38,582**	36,409
Less: Allowance for impairment losses	(1)	**(2,752)**	(3,003)
Advance payments		**15,734**	22,019
Precious metal		**9,410**	7,814
Right-of-use assets	(2)	**6,653**	6,931
Investment properties	(3)	**5,525**	6,387
Interest receivable	(4)	**2,003**	2,054
Land use rights and others		**1,913**	1,998
Intangible assets	(5)	**2,715**	1,954
Long-term deferred expenses		**1,191**	879
Refundable deposits		**1,161**	495
Foreclosed assets		**945**	1,000
Goodwill	(6)	**415**	407
Unsettled assets		**31**	31
Others		**8,573**	6,894
Total		**92,099**	92,269

(1) Allowance for impairment losses

	As at 1 January 2023	Amounts accrued	Reversal	Written-offs	Transfers in	Recoveries after written-offs	Others	As at 31 December 2023
Accounts receivable and temporary prepayments	**(3,003)**	**(5,250)**	**4,183**	**659**	**(3)**	**(94)**	**756**	**(2,752)**

	As at 1 January 2022	Amounts accrued	Reversal	Written-offs	Transfers in	Recoveries after written-offs	Others	As at 31 December 2022
Accounts receivable and temporary prepayments	(3,265)	(3,435)	2,798	992	(8)	(77)	(8)	(3,003)

(2) Right-of-use assets

	As at 31 December 2023	As at 31 December 2022
Cost:		
Opening balance	**14,330**	13,980
Additions	**2,496**	2,704
Decreases	**(3,049)**	(2,354)
As at the end of the year	**13,777**	14,330
Accumulated depreciation:		
Opening balance	**(7,399)**	(7,203)
Additions	**(2,369)**	(2,380)
Decreases	**2,644**	2,184
As at the end of the year	**(7,124)**	(7,399)
Net book value	**6,653**	6,931
Lease liabilities	**6,501**	6,775

As at 31 December 2023, committed by leases but not yet commenced amount to RMB89 million (as at 31 December 2022: RMB97 million).

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For the year ended 31 December 2023
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25 OTHER ASSETS *(Continued)*

(3) Investment properties

	As at 1 January 2023	Decreases of the year	Property revaluation	Exchange differences	As at 31 December 2023
Investment properties	**6,387**	**(701)**	**(176)**	**15**	**5,525**

	As at 1 January 2022	Decreases of the year	Property revaluation	Exchange differences	As at 31 December 2022
Investment properties	6,340	(190)	166	71	6,387

The Group's investment properties are located in active real estate markets. The external appraisers make reasonable estimation of fair value using market prices and other related information of the similar properties.

As at 31 December 2023, fair value hierarchies of the investment properties of the Group are as follows:

	Level 1	Level 2	Level 3	As at 31 December 2023
Commercial property units located in Hong Kong	**–**	**–**	**708**	**708**
Commercial property units located outside Hong Kong	**–**	**–**	**4,817**	**4,817**

The valuation of investment properties was performed by independent qualified professional valuers not connected to the Group. Valuation methodologies include "Rental Income Approach" and "Market Approach". The inputs to these models mainly include growth rate of rental, vacancy rate, future rent income years, capitalisation rate and unit price.

(4) The interest receivable account only reflects the interest for relevant financial instruments which is due but not received on balance sheet date.

(5) Intangible assets

	Computer software
Cost	
As at 1 January 2023	**5,116**
Additions	**1,303**
Disposals	**(7)**
As at 31 December 2023	**6,412**
Accumulated amortization	
As at 1 January 2023	**(3,162)**
Charge for the year	**(542)**
Disposals	**7**
As at 31 December 2023	**(3,697)**
Net book value	**2,715**

(All amounts expressed in millions of RMB unless otherwise stated)

25 OTHER ASSETS *(Continued)*

(5) Intangible assets *(Continued)*

	Computer software
Cost	
As at 1 January 2022	4,504
Additions	627
Disposals	(15)
As at 31 December 2022	5,116
Accumulated amortization	
As at 1 January 2022	(2,707)
Charge for the year	(467)
Disposals	12
As at 31 December 2022	(3,162)
Net book value	1,954

(6) Goodwill

	As at 1 January 2023	**Addition during the year**	**Decrease during the year**	**Exchange differences**	**As at 31 December 2023**
Bank of Communications International Trust Co., Ltd.	**200**	**–**	**–**	**–**	**200**
BOCOM MSIG Life Insurance Company Limited	**122**	**–**	**–**	**–**	**122**
BANCO BoCom BBM S.A.	**85**	**–**	**–**	**8**	**93**
Total	**407**	**–**	**–**	**8**	**415**

	As at 1 January 2022	Addition during the year	Decrease during the year	Exchange differences	As at 31 December 2022
Bank of Communications International Trust Co., Ltd.	200	–	–	–	200
BOCOM MSIG Life Insurance Company Limited	122	–	–	–	122
BANCO BoCom BBM S.A.	73	–	–	12	85
Total	395	–	–	12	407

At each end of year, the Group performed impairment tests on goodwill. In the test, the Group compares the book value of cash-generating unit (CGU) or CGUs (including goodwill) with the recoverable amount. If the recoverable amount is less than the book value, the related difference is recognised in profit or loss.

The Group calculates the recoverable amount of CGU and CGUs using cash flow models based on the management's approved financial forecasts and fixed growth rates afterwards.

As indicated by the impairment tests, goodwill arising from business combinations is not impaired and therefore, no impairment loss is recognised.

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26 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2023	As at 31 December 2022
Borrowing from central banks	**523,905**	398,293
Accrued interest	**6,205**	4,787
Due to banks		
– Banks operating in Chinese Mainland	**287,427**	254,973
– Banks operating outside Chinese Mainland	**6,139**	8,839
Due to other financial institutions		
– Other financial institutions operating in Chinese Mainland	**831,249**	803,430
– Other financial institutions operating outside Chinese Mainland	**5,069**	7,699
Accrued interest	**3,297**	3,652
Placements from banks		
– Banks operating in Chinese Mainland	**255,733**	210,818
– Banks operating outside Chinese Mainland	**201,452**	201,042
Placements from other financial institutions		
– Other financial institutions operating in Chinese Mainland	**1,500**	200
– Other financial institutions operating outside Chinese Mainland	**11,479**	10,204
Accrued interest	**2,807**	2,344
Financial assets sold under repurchase agreements		
Securities	**285,176**	128,298
Bills	**2,437**	–
Accrued interest	**662**	315
Total	**2,424,537**	2,034,894

27 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2023	As at 31 December 2022
Certificates of deposit issued	**41,187**	22,253
Financial liabilities related to precious metal contracts	**2,697**	11,502
Notes issued	**692**	1,701
Short position of securities held for trading	**103**	5
Others (1)	**11,878**	12,488
Total	**56,557**	47,949

(1) As at 31 December 2023 and 31 December 2022, others mainly are liabilities of consolidated structured entities and shares held by other parties rather than the Group.

For the year ended 31 December 2023 and the year ended 31 December 2022, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss that were attributable to the changes in credit risk.

(All amounts expressed in millions of RMB unless otherwise stated)

28 DEPOSITS FROM CUSTOMERS

	As at 31 December 2023	As at 31 December 2022
Corporate demand deposits	**2,050,524**	1,989,383
Corporate time deposits	**2,991,467**	2,887,650
Personal demand deposits	**884,746**	885,013
Personal time deposits	**2,473,410**	2,070,711
Other deposits	**3,240**	4,227
Deposits from customers	**8,403,387**	7,836,984
Accrued interest	**147,828**	112,088
Total	**8,551,215**	7,949,072

As at 31 December 2023, deposits from customers comprised deposits pledged as collateral of RMB344,014 million (as at 31 December 2022: RMB331,318 million).

29 CERTIFICATES OF DEPOSITS ISSUED

Certificates of deposits at year end were issued by Head office, the Bank's overseas branches and subsidiaries are measured at amortised cost.

30 DEBT SECURITIES ISSUED

	Note	**As at 31 December 2023**	As at 31 December 2022
Carried at amortised cost:			
Bonds	(1)	**327,009**	306,030
Tier-2 capital bonds	(2)	**227,067**	198,951
Subordinated bonds	(3)	**4,800**	4,800
Accrued interest		**7,735**	6,572
Subtotal		**566,611**	516,353
Carried at fair value:			
Bonds	(1)	**25,564**	14,508
Total		**592,175**	530,861

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30 DEBT SECURITIES ISSUED *(Continued)*

(1) Bonds

Detailed information of bonds held at amortised cost is as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Ending balance	Opening balance
The Bank								
20 Bocomm 01	RMB	Chinese Mainland	3.18	50,000	2020/08/05	3 years	–	50,000
20 Bocomm 02	RMB	Chinese Mainland	3.50	40,000	2020/11/11	3 years	–	40,000
21 Bocom Micro Small Enterprises Bond	RMB	Chinese Mainland	3.40	40,000	2021/04/06	3 years	40,000	40,000
22 Bocom Micro Small Enterprises Bond 01	RMB	Chinese Mainland	2.75	30,000	2022/06/15	3 years	29,999	29,999
22 Bocom Micro Small Enterprises Bond 02	RMB	Chinese Mainland	2.98	30,000	2022/12/09	3 years	29,999	29,998
22 Bocom Green Financial Bond	RMB	Chinese Mainland	2.42	20,000	2022/08/05	3 years	19,999	19,999
22 Bocom Green Financial Bond 02	RMB	Chinese Mainland	2.96	10,000	2022/12/09	3 years	10,000	9,999
23 Bocom Micro Small Enterprises Bond 01	RMB	Chinese Mainland	2.80	30,000	2023/03/27	3 years	29,999	–
23 Bocom Green Financial Bond 01	RMB	Chinese Mainland	2.77	30,000	2023/04/25	3 years	29,999	–
23 Bocomm 01	RMB	Chinese Mainland	2.59	38,000	2023/07/18	3 years	37,999	–
23 Bocomm 02	RMB	Chinese Mainland	2.70	30,000	2023/09/22	3 years	29,999	–
23 Hong Kong medium-term notes 04	USD	Chinese Mainland	SOFR+0.65	60	2023/06/29	3 years	424	–
23 Hong Kong medium-term notes 05	USD	Chinese Mainland	SOFR+0.65	20	2023/06/29	3 years	141	–
23 Hong Kong medium-term notes 06	USD	Chinese Mainland	SOFR+0.65	50	2023/06/29	3 years	353	–
23 Hong Kong medium-term notes 07	USD	Chinese Mainland	SOFR+0.65	40	2023/06/29	3 years	283	–
23 Hong Kong medium-term notes 08	USD	Chinese Mainland	SOFR+0.65	15	2023/06/29	3 years	106	–
23 Hong Kong medium-term notes 12	USD	Chinese Mainland	SOFR+0.60	475	2023/08/30	3 years	3,362	–
18 medium-term notes 02	USD	Hong Kong, China	3MLibor+0.85	700	2018/05/17	5 years	–	4,876
20 Hong Kong medium-term notes 02	USD	Hong Kong, China	3MLibor+0.58	1,300	2020/01/22	3 years	–	9,055
20 Hong Kong medium-term notes 04	USD	Hong Kong, China	3MLibor+0.75	100	2020/06/05	3 years	–	696
20 Hong Kong medium-term notes 05	USD	Hong Kong, China	3MLibor+0.80	650	2020/07/20	3 years	–	4,528
20 Hong Kong medium-term notes 06	USD	Hong Kong, China	3MLibor+0.90	400	2020/07/20	5 years	2,831	2,786
20 Hong Kong medium-term notes 07	USD	Hong Kong, China	1.20	800	2020/09/10	5 years	5,654	5,560
20 Hong Kong medium-term notes 08	USD	Hong Kong, China	3MLibor+0.80	350	2020/09/10	3 years	–	2,438
BOCOM Float 11/13/24	USD	Hong Kong, China	SOFR+0.323	490	2023/11/15	364 days	3,488	–
21 Macau PA-medium-term notes	MOP	Macau, China	0.85	1,200	2021/12/15	2 years	–	1,038
P14JHTP1D	RMB	Taiwan, China	4.00	200	2014/12/04	10 years	196	199
Subtotal							274,831	251,171

(All amounts expressed in millions of RMB unless otherwise stated)

30 DEBT SECURITIES ISSUED *(Continued)*

(1) Bonds *(Continued)*

Detailed information of bonds held at amortised cost is as follows: *(Continued)*

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Ending balance	Opening balance
Subsidiaries								
20 Leasing 01	RMB	Chinese Mainland	3.65	3,000	2020/11/05	3 years	–	2,998
21 Leasing 01	RMB	Chinese Mainland	3.62	4,000	2021/03/01	3 years	4,000	3,996
21 Leasing 02	RMB	Chinese Mainland	3.45	3,000	2021/04/22	3 years	2,629	2,627
22 Pearl notes	RMB	Chinese Mainland	2.90	2,400	2022/12/15	3 years	1,680	1,680
23 Bocomm Leasing Green Bond 01	RMB	Chinese Mainland	2.80	3,000	2023/11/09	3 years	2,995	–
23 Bocomm Leasing 01	RMB	Chinese Mainland	2.88	3,000	2023/12/08	3 years	2,992	–
19 USD medium-term notes 02	USD	Hong Kong, China	4.375	700	2019/01/22	5 years	3,587	3,001
19 USD medium-term notes 04	USD	Hong Kong, China	3M Synthetic Libor + 1.175	400	2019/09/05	5 years	1,251	1,228
19 USD medium-term notes 05	USD	Hong Kong, China	2.625	200	2019/09/05	5 years	804	809
19 USD medium-term notes 07	USD	Hong Kong, China	3M Synthetic Libor + 1.075	600	2019/12/10	5 years	1,753	1,450
20 USD medium-term notes 01	USD	Hong Kong, China	3M Synthetic Libor + 0.95	500	2020/03/02	5 years	1,895	1,842
20 USD medium-term notes 02	USD	Hong Kong, China	3M Synthetic Libor + 0.83	300	2020/03/02	3 years	–	1,628
20 USD medium-term notes 03	USD	Hong Kong, China	1.75	350	2020/07/14	3 years	–	1,661
20 USD medium-term notes 04	USD	Hong Kong, China	3M Synthetic Libor + 1.70	450	2020/07/14	5 years	1,492	1,616
21 USD medium-term notes 01	USD	Hong Kong, China	1.125	500	2021/06/18	3 years	2,082	2,181
21 HKD medium-term notes 02	HKD	Hong Kong, China	1.07	775	2021/09/27	3 years	702	692
23 RMB Private Bond 01	RMB	Hong Kong, China	3.50	1,000	2023/03/07	2 years	999	–
23 HKD medium-term notes 01	HKD	Hong Kong, China	4.85	775	2023/03/08	1 year	702	–
23 HKD medium-term notes 02	HKD	Hong Kong, China	4.85	385	2023/03/10	1 year	349	–
23 USD medium-term notes 03	USD	Hong Kong, China	5.50	450	2023/03/10	1 year	3,184	–
23 USD medium-term notes 05	USD	Hong Kong, China	5.55	55	2023/03/15	1 year	–	–
23 USD medium-term notes 06	USD	Hong Kong, China	5.50	50	2023/03/15	1 year	19	–
23 USD medium-term notes 07	USD	Hong Kong, China	5.00	37	2023/03/28	10 months	261	–
23 USD medium-term notes 08	USD	Hong Kong, China	5.50	115	2023/06/21	11 months	812	–
23 USD medium-term notes 09	USD	Hong Kong, China	5.50	30	2023/07/18	10 months	212	–
23 CNY medium-term notes 01	CNY	Hong Kong, China	3.00	760	2023/07/26	3 years	758	–
23 CNY medium-term notes 02	CNY	Hong Kong, China	3.50	400	2023/10/18	1 years	400	–
23 CNY medium-term notes 03	CNY	Hong Kong, China	3.30	700	2023/10/20	3 years	698	–
23 CNY medium-term notes 04	CNY	Hong Kong, China	3.50	400	2023/11/20	3 years	399	–
23 CNY medium-term notes 05	CNY	Hong Kong, China	3.35	300	2023/12/01	3 years	300	–
23 USD medium-term notes 10	USD	Hong Kong, China	SOFR+1.00	240	2023/12/20	3 years	706	–
13 Azure Orbit	USD	Hong Kong, China	3.75	500	2013/03/06	10 years	–	3,482
5 Year USD bond	USD	Hong Kong, China	3.75	950	2018/01/25	5 years	–	6,615
10 Year USD bond	USD	Hong Kong, China	4.00	250	2018/01/25	10 years	1,760	1,728
AzureNova	USD	Hong Kong, China	4.25	250	2017/03/21	10 years	1,767	1,736
20 Financial Investing 01	RMB	Chinese Mainland	2.70	3,000	2020/03/11	3 years	–	2,998
20 Financial Investing 02	RMB	Chinese Mainland	2.80	7,000	2020/03/11	5 years	6,997	6,995
21 Bocomm International 01	USD	Hong Kong, China	1.75	500	2021/06/22	5 years	3,257	3,223
19 Brazil bonds	BRL	Brazil	110% SELIC	200	2019/01/30	5 years	57	52
22 Brazil bonds 01	BRL	Brazil	CDI + 2.60	270	2022/02/07	10 years	390	357
22 Brazil bonds 02	BRL	Brazil	CDI + 2.40	200	2022/11/29	10 years	289	264
Subtotal							52,178	54,859
Total							327,009	306,030

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30 DEBT SECURITIES ISSUED *(Continued)*

(1) Bonds *(Continued)*

Detailed information of bonds held at fair value is as follows: *(Continued)*

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Fair value at the end of the year	Fair value at the beginning of the year
The Bank								
23 Hong Kong medium-term notes 09	USD	Chinese Mainland	5.24	50	2023/06/26	5 years	355	–
23 Hong Kong medium-term notes 10	USD	Chinese Mainland	5.24	40	2023/06/26	5 years	284	–
23 Hong Kong medium-term notes 11	USD	Chinese Mainland	5.24	50	2023/06/26	5 years	355	–
23 Hong Kong medium-term notes 13	USD	Chinese Mainland	SOFR+0.60	25	2023/08/30	3 years	179	–
19 Hong Kong medium-term notes	HKD	Hong Kong, China	2.85	3,500	2019/03/21	5 years	3,231	3,120
21 Hong Kong medium-term notes 01	HKD	Hong Kong, China	0.95	1,200	2021/12/13	2 years	–	1,031
21 Hong Kong medium-term notes 02	RMB	Hong Kong, China	3.15	1,000	2021/12/13	3 years	1,001	1,004
22 Hong Kong medium-term notes 01	HKD	Hong Kong, China	1.80	1,200	2022/03/21	2 years	1,086	1,039
22 Hong Kong medium-term notes 02	RMB	Hong Kong, China	3.20	2,800	2022/03/21	2 years	2,818	2,834
22 Hong Kong medium-term notes 03	USD	Hong Kong, China	2.375	400	2022/03/21	3 years	2,766	2,661
22 Hong Kong medium-term notes 04	RMB	Hong Kong, China	3.05	1,420	2022/11/30	2 years	1,421	1,426
22 Hong Kong medium-term notes 05	USD	Hong Kong, China	4.75	200	2022/11/30	3 years	1,417	1,393
23 Hong Kong medium-term notes 01	HKD	Hong Kong, China	4.50	2,700	2023/02/28	2 years	2,491	–
23 Hong Kong medium-term notes 02	RMB	Hong Kong, China	2.97	3,800	2023/02/28	2 years	3,826	–
23 Hong Kong medium-term notes 03	USD	Hong Kong, China	4.875	600	2023/02/28	3 years	4,334	–
Total							25,564	14,508

(2) Tier 2 capital bonds

Detailed information of Tier 2 capital bonds is disclosed as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Note	Ending balance	Opening balance
The Bank									
19 BoComm 01	RMB	Chinese Mainland	4.10	30,000	2019/08/14	10 years	(a)	29,998	29,998
19 BoComm 02	RMB	Chinese Mainland	4.49	10,000	2019/08/14	15 years	(b)	9,999	9,999
20 BoComm	RMB	Chinese Mainland	3.24	40,000	2020/05/19	10 years	(c)	39,997	39,997
21 BoComm	RMB	Chinese Mainland	3.65	30,000	2021/09/23	10 years	(d)	29,999	29,999
22 BoComm 01	RMB	Chinese Mainland	3.45	30,000	2022/02/23	10 years	(e)	29,999	29,999
22 BoComm 02A	RMB	Chinese Mainland	3.03	37,000	2022/11/11	10 years	(f)	36,999	36,998
22 BoComm 02B	RMB	Chinese Mainland	3.36	13,000	2022/11/11	15 years	(g)	12,999	12,999
23 BoComm 01A	RMB	Chinese Mainland	3.30	15,000	2023/11/15	10 years	(h)	14,999	–
23 BoComm 01B	RMB	Chinese Mainland	3.40	15,000	2023/11/15	15 years	(i)	15,000	–
Subtotal								219,989	189,989
Subsidiaries									
18 Leasing 02	RMB	Chinese Mainland	5.15	2,000	2018/09/18	10 years	(j)	–	1,996
21 BoComm Hong Kong	USD	Hong Kong, China	2.304	1,000	2021/07/08	10 years	(k)	7,078	6,966
Subtotal								7,078	8,962
Total								227,067	198,951

30 DEBT SECURITIES ISSUED *(Continued)*

(2) Tier 2 capital bonds *(Continued)*

(a) The Group has an option to redeem 19 BoComm 01 at the par value partially or as a whole on 16 August 2024, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(b) The Group has an option to redeem 19 BoComm 02 at the par value partially or as a whole on 16 August 2029, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(c) The Group has an option to redeem 20 BoComm at the par value partially or as a whole on 21 May 2025, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(d) The Group has an option to redeem 21 BoComm at the par value partially or as a whole on 27 September 2026, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(e) The Group has an option to redeem 22 BoComm 01 at the par value partially or as a whole on 25 February 2027, the last day of the interest-bearing year with early redemption option embedded, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(f) The Group has an option to redeem 22 BoComm 02A at the par value partially or as a whole on 15 November 2027, the first day upon the end of the fifth interest-bearing year, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(g) The Group has an option to redeem 22 BoComm 02B at the par value partially or as a whole on 15 November 2032, the first day upon the end of the fifth interest-bearing year, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(h) The Group has an option to redeem 22 BoComm 02B at the par value partially or as a whole on 17 November 2028, the first day upon the end of the fifth interest-bearing year, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(i) The Group has an option to redeem 22 BoComm 02B at the par value partially or as a whole on 17 November 2033, the first day upon the end of the fifth interest-bearing year, provided that the NFRA's permission is acquired and the Group fulfills the redemption requirements as agreed in the offering documents.

(j) The Group had exercised the redemption right and redeem 18 Leasing 02 at the par value as a whole on 20 September 2023.

(k) The Group has an option to redeem 21 BoComm Hong Kong as a whole on 8 July 2026. If the issuer does not exercise the redemption right by 8 July 2026, the interest rate will be readjusted based on the 5-year U.S. Treasury rate plus 140 basis points initial rate differential.

These tier-2 capital bonds have the write-down feature, which allows the Group to write down the partial or entire principals of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. These bonds are regarded as tier-2 capital without any guarantees provided and the proceeds of the debts cannot be used for compensating daily operating loss of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

30 DEBT SECURITIES ISSUED *(Continued)*

(3) Subordinated bonds

Detailed information of subordinated bonds is disclosed as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Note	Ending balance	Opening balance
Subsidiary									
21 Insurance 01	RMB	Chinese Mainland	4.30	3,000	2021/03/25	10 years	(a)	3,000	3,000
21 Insurance 02	RMB	Chinese Mainland	3.93	1,800	2021/07/27	10 years	(a)	1,800	1,800
Total								4,800	4,800

(a) BOCOM MSIG Life Insurance Company Limited has an option to redeem the bonds at the par value partially or as a whole on the last day of the fifth interest-bearing year, provided that the permission of PBOC and NFRA is acquired in advance and the BOCOM MSIG Life Insurance Company Limited's solvency ratio is not less than 100% if the redemption is exercised.

(4) As at 31 December 2023, the Group has not had any defaults in respect of payments of principal or interest or other breaches with respect to the debt securities issued.

31 OTHER LIABILITIES

	Note	**As at 31 December 2023**	As at 31 December 2022
Insurance contract liabilities		**111,207**	105,889
Clearing and settlement		**56,930**	58,616
Staff compensation payable		**17,979**	16,802
Expected credit impairment allowance of credit related commitments and financial guarantees	(1)	**8,826**	11,291
Lease liabilities		**6,501**	6,775
Deposits received for finance lease		**5,904**	6,414
VAT and other taxes payable		**5,283**	4,811
Special purpose funding		**1,796**	1,949
Provision for outstanding litigations	(2)	**503**	520
Dividends payable		**254**	378
Others		**35,974**	36,935
Total		**251,157**	250,380

(1) Movements in the expected credit impairment allowance of credit related commitments and financial guarantees

	For the year ended 31 December 2023			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
As at 1 January 2023	**10,226**	**1,065**	**–**	**11,291**
Transfers:				
Transfer to Stage 1	**547**	**(547)**	**–**	**–**
Transfer to Stage 2	**(211)**	**211**	**–**	**–**
Transfer to Stage 3	**–**	**–**	**–**	**–**
Reversal	**(2,213)**	**(56)**	**–**	**(2,269)**
Others	**(74)**	**(122)**	**–**	**(196)**
As at 31 December 2023	**8,275**	**551**	**–**	**8,826**

31 OTHER LIABILITIES *(Continued)*

(1) Movements in the expected credit impairment allowance of credit related commitments and financial guarantees *(Continued)*

	For the year ended 31 December 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	8,736	506	–	9,242
Transfers:				
Transfer to Stage 1	24	(24)	–	–
Transfer to Stage 2	(333)	333	–	–
Transfer to Stage 3	–	–	–	–
Provision	1,798	560	–	2,358
Others	1	(310)	–	(309)
As at 31 December 2022	10,226	1,065	–	11,291

(2) Movements in the provision for outstanding litigations

	As at 1 January 2023	**Amounts reversed during the year**	**Amounts settled during the year**	**As at 31 December 2023**
Provision for outstanding litigations	**520**	**(14)**	**(3)**	**503**

	As at 1 January 2022	Amounts provision during the year	Amounts settled during the year	As at 31 December 2022
Provision for outstanding litigations	472	56	(8)	520

32 SHARE CAPITAL AND CAPITAL SURPLUS

	Number of shares (in millions)	**Ordinary shares of (RMB1 each)**	**Capital surplus**
As at 1 January 2023	**74,263**	**74,263**	**111,429**
As at 31 December 2023	**74,263**	**74,263**	**111,428**

	Number of shares (in millions)	Ordinary shares of (RMB1 each)	Capital surplus
As at 1 January 2022	74,263	74,263	111,428
As at 31 December 2022	74,263	74,263	111,429

As at 31 December 2023 and 31 December 2022, the number of A shares of the Group was 39,251 million, and the number of H shares of the Group was 35,012 million, both with par value of RMB1 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
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32 SHARE CAPITAL AND CAPITAL SURPLUS *(Continued)*

As at 31 December 2023 and 31 December 2022, the Group's capital surplus is listed as follows:

	As at 1 January 2023	**Additions**	**Reductions**	**As at 31 December 2023**
Share premium	**110,770**	**–**	**–**	**110,770**
Other capital reserve	**659**	**–**	**(1)**	**658**
Total	**111,429**	**–**	**(1)**	**111,428**

	As at 1 January 2022	Additions	Reductions	As at 31 December 2022
Share premium	110,770	–	–	110,770
Other capital reserve	658	1	–	659
Total	111,428	1	–	111,429

33 OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding at the end of the year

	Issue date	Accounting classification	Dividend rate %	Issue price	Amount in shares	In original currency (in millions)	In RMB (in millions)	Maturity	Conversion condition	Conversion
Domestic preference shares										
Preference shares in RMB	2 September 2016	Equity	4.07	RMB100/share	450,000,000	45,000	45,000	No maturity date	Mandatory	No conversion during the year
Less: Issuance fees							(48)			
Carrying amount							44,952			

(b) Movements of preference shares issued

	As at 1 January 2023	**Movements**		**As at 31 December 2023**
		Additions	**Decreases**	
Domestic references-shares				
Amount (shares)	**450,000,000**	**–**	**–**	**450,000,000**
In RMB (millions)	**44,952**	**–**	**–**	**44,952**

33 OTHER EQUITY INSTRUMENTS *(Continued)*

(1) Preference shares *(Continued)*

(c) Main clauses

Domestic preference shares

(i) Dividend

The domestic preference shares will accrue dividends on their issue price at the relevant dividend rate below:

– From and including the issue date to but excluding the first reset date, at the rate of 3.90% per annum; and

– The dividend rate will be re-priced every five years thereafter with reference to the arithmetic average value (rounding off to 0.01%) of five-year Chinese treasury bonds yield at the date which is 20 transaction days before the reset date (excluding the date) plus a fixed premium of 1.37%. As authorised by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on domestic preference shares.

With effect from 7 September 2021, the Bank has adjusted the dividend rate for the second dividend rate adjustment period to 4.07%.

The dividend for domestic preference shares is non-cumulative. Where the Bank determines to cancel the dividend for domestic preference shares in whole or in part, the omitted dividend will not be carried forward and claimed in the future period. After receiving dividends at the agreed dividend rate, domestic preference shareholders of the Bank will not participate in the distribution of residual profits with ordinary shareholders. Domestic preference shares issued by the Bank have the same dividend distribution order as the offshore preference shares.

(ii) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Domestic preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any preference share dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

(iii) Mandatory conversion trigger events

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, domestic preference shares shall be mandatorily converted into ordinary A Shares of the Bank, partially or entirely. The initial mandatory conversion price is RMB6.25 per share. To balance the interest between preference shareholders and ordinary shareholders, the mandatory conversion price of the preference shares will be cumulatively adjusted in sequence where certain events occur including issuances of bonus shares, capitalisation of reserves, new issuances of ordinary shares at a price lower than the market price (excluding equity increased due to exercise of convertible financing instruments that can be converted into ordinary shares) and rights issues, subject to terms and formulas provided for in the offering documents. Appropriation of dividends to ordinary shareholders is not trigger event for price adjustment.

(iv) Order of distribution and liquidation method

On winding-up of the Bank, distribution to domestic preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the domestic preference shares; all domestic preference shareholders are ranked at the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to domestic preference shareholders prior to ordinary shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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33 OTHER EQUITY INSTRUMENTS *(Continued)*

(1) Preference shares *(Continued)*

(c) Main clauses (Continued)

Domestic preference shares (Continued)

(iv) Order of distribution and liquidation method (Continued)

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the domestic preference shares have been made, be applied to the claims of the domestic preference shareholders equally in all respects with the claims of holders of any parity obligations (which term, for the avoidance of doubt, includes the domestic preference shares and any other preference shares of the Bank issued from time to time to investors outside the PRC) and in priority to the claims of the holders of ordinary shares.

The distribution amount obtained by the domestic preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, domestic and offshore preference shareholders will share the distribution amount on a proportional basis.

(v) Redemption

The domestic preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining the regulatory approval and in compliance with the redemption preconditions, redeem all or some of the domestic preference shares on 7 September 2021 and on any preference share dividend payment date thereafter. The redemption period ends at the date when shares are fully converted or redeemed.

(2) Perpetual bonds

(a) Perpetual bonds outstanding at the end of the year

	Issue date	Accounting classification	Original interest rate %	Issue price	Amount in shares	In original currency (in millions)	In RMB (in millions)	Maturity
19 BoComm perpetual bonds (i)	18 September 2019	Equity	4.20	RMB100/bond	400,000,000	40,000	40,000	No fixed maturity date
20 BoComm perpetual bonds (ii)	23 September 2020	Equity	4.59	RMB100/bond	300,000,000	30,000	30,000	No fixed maturity date
21 BoComm perpetual bonds (ii)	8 June 2021	Equity	4.06	RMB100/bond	415,000,000	41,500	41,500	No fixed maturity date
Perpetual bonds in USD(iii)	11 November 2020	Equity	3.80	Not less than USD200,000/bond	Not applicable	2,800	18,366	No fixed maturity date
Total							129,866	
Less: Issuance fees							(28)	
Carrying amount							129,838	

(b) Main clauses

(i) With the approvals by relevant regulatory authorities, the Bank issued RMB40 billion undated capital bonds in China's National Inter-Bank Bond Market on 18 September 2019, and the raising fund was received on 20 September 2019. The denomination of the bonds is RMB100 each and coupon rate of 4.20%. The bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the regulatory, the Bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

33 OTHER EQUITY INSTRUMENTS *(Continued)*

(2) Perpetual bonds *(Continued)*

(b) ***Main clauses*** *(Continued)*

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-1 capital instruments of the Bank that rank pari passu with the perpetual bonds.

Upon the occurrence of Additional tier-1 capital trigger event, namely, the Bank's common equity tier-1 capital adequacy ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the regulatory but without the need for the consent of the bondholders, to write down whole or part of the aggregate amount of the perpetual bonds then issued and outstanding, in order to restore the common equity tier-1 capital adequacy ratio to above 5.125%. Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down all the above perpetual bond issued and existing at that time in accordance with the total par value without the consent of the bondholders.

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. 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, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the Additional tier-1 capital of the Bank.

(ii) With the approvals by relevant regulatory authorities, the Bank issued RMB30 billion undated capital bonds in China's National Inter-Bank Bond Market on 23 September 2020, and the raising fund was received on 25 September 2020. The denomination of the Bonds is RMB100 each and coupon rate of 4.59%. The Bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

With the approvals by relevant regulatory authorities, the Bank issued RMB41.5 billion undated capital bonds in China's National Inter-Bank Bond Market on 8 June 2021, and the raising fund was received on 10 June 2021. The denomination of the Bonds is RMB100 each and coupon rate of 4.06%. The Bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the regulatory, the Bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-1 capital instruments of the Bank that rank pari passu with the perpetual bonds.

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33 OTHER EQUITY INSTRUMENTS *(Continued)*

(2) Perpetual bonds *(Continued)*

(b) Main clauses *(Continued)*

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down/write off in whole or in part, without the need for the consent of the holders of the bonds, the principal amount of the bonds.

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. 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, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the additional tier-1 capital of the Bank.

(iii) With the approvals by relevant regulatory authorities, the Bank issued USD2.8 billion undated capital bonds in the offshore market on 11 November 2020, and the raising fund was received on 18 November 2020. The specified denomination of the bonds is not less than USD200,000, the exceeding part need to be integral multiple of USD1000 and issued at 100% of the specified denomination. The coupon rate of the bonds is 3.80%. The bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the regulatory, the bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, subject to obtaining the regulatory approval, the Bank may redeem the whole but not part of the perpetual bonds.

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-1 capital instruments of the Bank that rank pari passu with the perpetual bonds.

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down/write off in whole or in part, without the need for the consent of the holders of the bonds.

The distributions on the perpetual bonds are non-cumulative, and the Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. 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, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the additional tier-1 capital of the Bank.

(All amounts expressed in millions of RMB unless otherwise stated)

33 OTHER EQUITY INSTRUMENTS *(Continued)*

(3) Interests attributable to holders of other equity instruments

	As at 31 December 2023	As at 31 December 2022
Total equity attributable to equity holders of the parent company	**1,088,030**	1,022,024
– Equity attributable to ordinary shareholders of the parent company	**913,240**	847,234
– Equity attributable to preference shareholders of the parent company	**44,952**	44,952
– Equity attributable to perpetual bond holders of the parent company	**129,838**	129,838
Total equity attributable to non-controlling interests	**11,420**	11,498
– Equity attributable to non-controlling interests of ordinary shares	**7,912**	8,040
– Equity attributable to non-controlling interests of non-cumulative subordinated additional Tier-1 capital securities (Note 36)	**3,508**	3,458

Dividends paid to preference shareholders and interest paid to perpetual bond holders for the year ended 31 December 2023 are disclosed in Note 35.

34 OTHER RESERVES AND RETAINED EARNINGS

Pursuant to the relevant PRC regulations, the appropriation of profits to the statutory general reserve, the discretionary reserve and the distribution of dividends in each year are based on the recommendations of the directors and are subject to the resolutions to be passed at the General Meeting of Shareholders.

Pursuant to relevant PRC regulations, the Bank appropriated 10% of its net profit for the year under CAS to the statutory surplus reserve until the reserve balance reaches 50% of the Bank's registered capital. The statutory surplus reserve can be used to compensate losses or to increase share capital upon approval.

	As at 1 January 2023	**Appropriate**	**Decrease**	**As at 31 December 2023**
Statutory reserve	**88,154**	**9,073**	**–**	**97,227**
Discretionary reserve	**140,182**	**217**	**–**	**140,399**
Total	**228,336**	**9,290**	**–**	**237,626**

Pursuant to relevant PRC banking regulations, since 1 July 2012, the Bank made statutory general reserve from net profit through profit appropriation according to Administrative Measures for the Provisioning of Financial Enterprises (Cai Jin [2012] No. 20). The proportion is determined based on several factors including the Bank's overall exposure to risk, normally no lower than 1.5% of the ending balance of risk assets. The statutory general reserve is an integral part of shareholders' equity but not subject to dividend distribution. The Bank's subsidiaries and overseas branches, if required by local regulation requirements, also need to make such general reserve.

	As at 1 January 2023	**Appropriate**	**Decrease**	**As at 31 December 2023**
Statutory general reserve	**144,541**	**14,512**	**–**	**159,053**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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34 OTHER RESERVES AND RETAINED EARNINGS *(Continued)*

Retained earnings

The movements of retained earnings are set out below:

	Note	
As at 31 December 2022		**292,734**
Changes in accounting policies		**127**
As at 1 January 2023		**292,861**
Profit for the year attributable to shareholders of the parent company		**92,728**
Appropriation to statutory reserve		**(9,073)**
Appropriation to discretionary reserve		**(217)**
Appropriation to general reserve		**(14,512)**
Dividends payable to ordinary shareholders		**(27,700)**
Dividends payable to preference shareholders		**(1,832)**
Interest to perpetual bond holders		**(5,641)**
Others		**130**
As at 31 December 2023	(1)	**326,744**
As at 1 January 2022		257,187
Profit for the year attributable to shareholders of the parent company		92,102
Appropriation to statutory reserve		(8,187)
Appropriation to discretionary reserve		(160)
Appropriation to general reserve		(14,261)
Dividends payable to ordinary shareholders		(26,363)
Dividends payable to preference shareholders		(1,832)
Interest to perpetual bond holders		(5,651)
Others		(101)
As at 31 December 2022		292,734

(1) Retained earnings at the end of the year

As at 31 December 2023, the consolidated retained earnings attributable to the Bank included retained earnings transferred to share capital by the Bank's subsidiary amounting to RMB6 billion (As at 31 December 2022: Nil). The Bank's subsidiary did not provide the Bank with the option to receive equivalent cash dividends or profits.

(2) Distributable profits

The Bank's distributable profit is based on its retained profits as determined under PRC and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by referring to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

(All amounts expressed in millions of RMB unless otherwise stated)

35 DIVIDENDS

	2023	2022
Dividends to ordinary shareholders of the Bank	**27,700**	26,363
Dividends to preference shareholders of the Bank	**1,832**	1,832
Interest to perpetual bond holders of the Bank	**5,641**	5,651

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(1) Making up cumulative losses from prior years, if any;

(2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;

(3) Allocations to statutory general reserve;

(4) Allocations to the discretionary reserve upon approval by the Annual General Meeting of Shareholders. These funds form part of the shareholders' equity. The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at Annual General Meeting.

Pursuant to the approval by the Annual General Meeting of Shareholders on 27 June 2023, the Bank appropriated a cash dividend of RMB0.373 (before tax) for each ordinary share, with total amount of RMB27,700 million, calculated based on 74,263 million shares outstanding as at 31 December 2022, will be distributed to ordinary shareholders.

Pursuant to the approval by the Board meeting on 28 April 2023, the Bank will appropriate domestic preference dividends of RMB1,832 million with a dividend yield of 4.07%.

The Bank distributed the interest on the 2020 undated capital bonds in USD amounting to RMB899 million on 18 November 2023.

The Bank distributed the interest on the 2020 undated capital bonds amounting to RMB1,377 million on 25 September 2023.

The Bank distributed the interest on the 2019 undated capital bonds amounting to RMB1,680 million on 20 September 2023.

The Bank distributed the interest on the 2021 undated capital bonds amounting to RMB1,685 million on 10 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

36 NON-CONTROLLING INTERESTS

Non-controlling interests of the Group include equity attributable to non-controlling interests of ordinary shares and equity attributable to non-controlling interests of other equity instruments. As at 31 December 2023, equity attributable to other equity instruments holders was RMB3,508 million. Other equity instruments were non-cumulative subordinated additional tier-1 capital securities issued by Bank of Communications (Hong Kong) Limited on 3 March 2020.

Issue Date	3 March 2020
Face Value	USD500 million
First Call Date	3 March 2025
Distribution Rate	(i) from the issue date to the first call date, 3.725% per annum (ii) for every five calendar years after the first call date, the then-prevailing US Treasury Rate plus 2.525% per annum if the redemption right is not exercised
Frequency of distribution payments	Semi-annually

Bank of Communications (Hong Kong) Limited may determine the policies of distribution payments and whether to redeem the bonds. Therefore, the Group recognised the bonds as equity instruments.

Pursuant to the terms and conditions of the Non-Cumulative Subordinated Additional Tier-1 capital securities, Bank of Communications (Hong Kong) Limited has paid a total distribution of RMB131 million during the year ended 31 December 2023.

37 CONTINGENCIES

Legal proceedings

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for litigation losses as advised by in-house or external legal professionals is disclosed in Note 31. The total outstanding claims against the Group (as defendant) by a number of third parties at the end of the year are summarised as follows:

	As at 31 December 2023	As at 31 December 2022
Outstanding litigations	**1,480**	2,017
Provision for outstanding litigation (Note 31)	**503**	520

Future receivables from operating leases

The Group acts as lessor in operating leases principally through aircrafts, vessels and equipments leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft, vessel and equipments under irrevocable operating leases are as follows:

	As at 31 December 2023	As at 31 December 2022
Within 1 year	**18,835**	16,880
After 1 year and within 2 years	**17,470**	15,635
After 2 years and within 3 years	**16,327**	14,209
After 3 years and within 4 years	**14,904**	12,954
After 4 years and within 5 years	**12,935**	11,374
After 5 years	**53,932**	43,924
Total	**134,403**	114,976

(All amounts expressed in millions of RMB unless otherwise stated)

38 COMMITMENTS

Credit related commitments and financial guarantees

The following tables provide the contractual amounts of the Group's credit related commitments and financial guarantees which the Group has committed to its customers:

	As at 31 December 2023	As at 31 December 2022
Loan commitments		
– Under 1 year	6,013	10,129
– 1 year and above	82,507	71,743
Credit card commitments	938,820	998,125
Acceptance bills	544,473	536,574
Letters of guarantee	455,646	420,167
Letters of credit commitments	205,132	183,717
Total	2,232,591	2,220,455

Capital expenditure commitments

	As at 31 December 2023	As at 31 December 2022
Contracted but not provided for	87,143	94,654

Commitments on security underwriting and bond acceptance

The Group is entrusted by the Ministry of Finance ('MOF') to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 31 December 2023, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB63,381 million (As at 31 December 2022: RMB66,715 million).

The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. As at 31 December 2023, The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material (As at 31 December 2022: not material).

As at 31 December 2023, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (As at 31 December 2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

39 COLLATERALS

(1) Assets pledged

The Group uses part of its assets as collaterals for interbank repurchase arrangements and other liabilities-related business. The carrying amount of these collaterals and the balance of operations related are listed below:

	Pledged assets		Associated liabilities	
	As at 31 December 2023	As at 31 December 2022	**As at 31 December 2023**	As at 31 December 2022
Investment securities	**1,047,336**	751,853	**1,003,758**	692,106
Bills	**4,882**	2,112	**4,882**	2,112
Total	**1,052,218**	753,965	**1,008,640**	694,218

Financial assets sold under repurchase agreements included certain transactions under which the title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note 44 transfers of financial assets.

In addition, loans and advances to customers pledged as collateral for borrowing from central banks or placements from banks by the Group as at 31 December 2023 amounted to RMB25,263 million in total (31 December 2022: RMB4,217 million).

(2) Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements. The Group did not hold any collateral that can be resold or re-pledged on balance sheet date when non-defaulting.

40 OTHER COMPREHENSIVE INCOME

	Year ended 31 December 2023		
	Before tax amount	**Tax effect**	**Net of tax amount**
Other comprehensive income			
Changes in fair value of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity	***9,400***	***(1,866)***	***7,534***
Amount reclassified to profit or loss	***(885)***	***221***	***(664)***
Expected credit losses of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity	***1,378***	***(289)***	***1,089***
Amount reclassified to profit or loss	–	–	–
Effective portion of gains or losses on hedging instruments in cash flow hedges			
Amount recognised in equity	***(825)***	***165***	***(660)***
Amount reclassified to profit or loss	***67***	***(17)***	***50***
Translation difference on foreign operations	**2,152**	–	**2,152**
Changes in fair value of equity investments designated at FVOCI	**736**	**252**	**988**
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL	**458**	–	**458**
Actuarial gains on pension benefits	**33**	–	**33**
Others	**(3,571)**	**891**	**(2,680)**
Other comprehensive income for the year	**8,943**	**(643)**	**8,300**

(All amounts expressed in millions of RMB unless otherwise stated)

40 OTHER COMPREHENSIVE INCOME *(Continued)*

	Year ended 31 December 2022		
	Before tax amount	Tax effect	Net of tax amount
Other comprehensive income			
Changes in fair value of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity	*(9,683)*	*1,946*	*(7,737)*
Amount reclassified to profit or loss	*(892)*	*223*	*(669)*
Expected credit losses of debt instruments measured at fair value through other comprehensive income			
Amount recognised in equity	*1,438*	*(219)*	*1,219*
Amount reclassified to profit or loss	*–*	*–*	*–*
Effective portion of gains or losses on hedging instruments in cash flow hedges			
Amount recognised in equity	*2,564*	*(560)*	*2,004*
Amount reclassified to profit or loss	*(1,606)*	*402*	*(1,204)*
Translation difference on foreign operations	8,562	–	8,562
Changes in fair value of equity investments designated at FVOCI	(1,302)	88	(1,214)
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVTPL	(133)	–	(133)
Actuarial gains on pension benefits	(34)	–	(34)
Others	(913)	253	(660)
Other comprehensive income for the year	(1,999)	2,133	134

41 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of the balance of cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with maturities of less than or equal to 90 days from date of purchase and used for the purpose of meeting short-term cash commitments:

	As at 31 December 2023	As at 31 December 2022
Cash and balances with central banks	**202,550**	117,662
Due from and placements with banks and other financial institutions	**72,911**	131,141
Total	**275,461**	248,803

42 CONSOLIDATED STRUCTURED ENTITIES

Structured entities consolidated by the Group include certain trust investment plans, funds, and securitisation products issued, managed and invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has right to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

43 UNCONSOLIDATED STRUCTURED ENTITIES

The Group has been involved in other structured entities through acting as sponsors of structured entities or investments in structured entities that provide specialised investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of the products. The Group does not control these structured entities and therefore, these structured entities are not consolidated.

As at 31 December 2023, those unconsolidated structured entities set up and sponsored by the Group consist primarily of wealth management products, funds, trusts, asset management products and securitisation products. The Group earns commission income by providing management services to the investors of these structured entities. For the year ended 31 December 2023, the Group's commission income from providing services to the structured entities managed by the Group was RMB7,808 million (For the year ended 31 December 2022: RMB10,154 million).

As at 31 December 2023, the balance of the wealth management products set up and sponsored by the Group amounted to RMB1,302,346 million (As at 31 December 2022: RMB1,206,901 million), the balance of funds issued by the Group amounted to RMB511,038 million, the balance of trusts and asset management plans and others sponsored by the Group amounted to RMB594,647 million (As at 31 December 2022: the balance of funds issued by the Group amounted to RMB531,253 million, the balance of trusts and asset management plans and others sponsored by the Group amounted to RMB569,762 million).

For the year ended 31 December 2023, no interest income from placements and repurchase transactions with those unconsolidated wealth management products (For the year ended 31 December 2022: Nil).

The Group is also involved in certain structured entities sponsored by the Group or third parties through direct investments. These investments are recognised as financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, and financial investments at amortised cost.

As at 31 December 2023 and 31 December 2022, the carrying amount of interests in unconsolidated structured entities held by the Group through investment was set out as follows:

As at 31 December 2023

	Carrying amount				
	Financial investments at FVTPL	Financial investments at amortised cost	Financial investments at FVOCI	Maximum exposure to loss	Type of income
Funds	164,092	–	333	164,425	Net gains arising from trading activities
Trusts and asset management products	16,774	47,133	–	63,907	Net interest income, net gains arising from trading activities
Securitisation products	174	210	–	384	Net interest income, net gains arising from trading activities
Total	181,040	47,343	333	228,716	

(All amounts expressed in millions of RMB unless otherwise stated)

43 UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

As at 31 December 2022

	Carrying amount				
	Financial investments at FVTPL	Financial investments at amortised cost	Financial investments at FVOCI	Maximum exposure to loss	Type of income
Funds	200,349	–	352	200,701	Net gains arising from trading activities
Trusts and asset management products	9,141	60,463	–	69,604	Net interest income, net gains arising from trading activities
Securitisation products	170	261	–	431	Net interest income, net gains arising from trading activities
Total	209,660	60,724	352	270,736	

44 TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the ordinary course of business by which it transfers recognised financial assets to third parties or structured entities. 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 recognise the transferred assets.

(1) Financial assets sold under repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Group does not have the ability to use during the term of the arrangements, are not derecognised from the financial statements but regarded as "collateral" for the secured lending. In addition, the Group recognises a financial liability for cash received.

As at 31 December 2023 and 31 December 2022, the Group entered into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as "financial assets sold under repurchase agreements" (Note 26).

The following table provides a summary of carrying amounts related to the transferred financial assets that are not derecognised and the associated liabilities:

	Collaterals		**Associated liabilities**	
	As at 31 December 2023	As at 31 December 2022	**As at 31 December 2023**	As at 31 December 2022
Investment securities	**15,005**	6,030	**12,868**	5,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

44 TRANSFERS OF FINANCIAL ASSETS *(Continued)*

(2) Securities lending transactions

Transferred financial assets that do not qualify for de-recognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2023, the face value of debt securities lent to counterparties was RMB26,010 million (31 December 2022: RMB4,513 million).

(3) Asset securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which then issue securities to investors.

As at 31 December 2023, loans with an original value of RMB86,153 million (31 December 2022: RMB88,308 million) have been securitised by the Group. For the year ended 31 December 2023, the Group transferred financial assets amounted to RMB34,019 million through assets backed securitization transactions, and all have met the requirement of derecognition (31 December 2022: the Group transferred financial assets amounted to RMB36,174 million through assets backed securitization transactions, and all have met the requirement of derecognition).

As at 31 December 2023, the carrying amount of asset-backed securities held by the Group in securitisation transactions that were qualified for derecognition was RMB405 million (31 December 2022: RMB431 million), and its maximum exposure approximated to the carrying amount.

The Group retains interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the consolidated statement of financial position to the extent of the Group's continuing involvement, while the rest are derecognised. The extent of the Group's continuing involvement is the extent of risk the Group faces due to changes in the value of the transferred assets. As at 31 December 2023, the carrying amount of assets that the Group continues to recognize on the consolidated statement of financial position was RMB5,529 million as at 31 December 2023 (31 December 2022: RMB5,529 million).

(4) Disposal of non-performing loans and advances to customers

The Group disposes non-performing loans and advances to customers through transferring to third parties in the normal course of business. For the year ended 31 December 2023, the Group had transferred non-performing loans and advances to customers with a gross carrying amount of RMB3,162 million (For the year ended 31 December 2022: RMB2,243 million) and collected cash totalling RMB1,730 million (For the year ended 31 December 2022: RMB1,423 million) from the transfer. The difference between the gross carrying amount and the cash collected had been written off. The Group derecognised the non-performing loans and advances to customers from the Group's financial statements at the time of disposal.

45 RELATED PARTY TRANSACTIONS

(1) Transactions with the MOF

As at 31 December 2023, the MOF held 17,732 million (31 December 2022: 17,732 million) ordinary shares of Bank of Communications Co., Ltd. which represented 23.88% (31 December 2022: 23.88%) of the total share capital.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditures, and establishing and enforcing taxation policies. The Group enters into banking transactions with the MOF under normal commercial terms and at market rates. These transactions mainly include the purchase and redemption of financial investments issued by the MOF.

(All amounts expressed in millions of RMB unless otherwise stated)

45 RELATED PARTY TRANSACTIONS *(Continued)*

(1) Transactions with the MOF *(Continued)*

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2023	As at 31 December 2022
Bonds issued by the MOF investment		
Financial investments at FVTPL	**65,938**	31,464
Financial investments at amortised cost	**1,090,685**	871,172
Financial investments at FVOCI	**123,930**	201,369

	2023	2022
Interest income on the government bonds	**34,145**	29,227

(2) Transactions with the National Council for Social Security Fund

As at 31 December 2023, the National Council for Social Security Fund held 12,155 million (31 December 2022: 12,155 million) ordinary shares of Bank of Communications Co., Ltd. which represented 16.37 % (31 December 2022: 16.37%) of the total share capital.

The Group enters into transactions with the National Council for Social Security Fund in the normal course of business and they mainly include deposits. The transactions are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms.

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2023	As at 31 December 2022
Deposits from customers	**91,625**	92,409

	2023	2022
Interest expenses	**(3,811)**	(3,846)

(3) Transactions with the Hongkong and Shanghai Banking Corporation Limited ("HSBC") Group and its joint ventures

As at 31 December 2023, HSBC held 13,886 million (31 December 2022: 13,886 million) ordinary shares of the Bank of Communications Co., Ltd. which represented 18.70% (31 December 2022: 18.70%) of the total share capital.

HSBC was incorporated in 1866, primarily providing local and international banking services, and related financial services in the Asia-Pacific region. Its registration is Hong Kong. Transactions between the Group and HSBC are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

45 RELATED PARTY TRANSACTIONS *(Continued)*

(3) Transactions with the Hongkong and Shanghai Banking Corporation Limited ("HSBC") Group and its joint ventures *(Continued)*

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2023	As at 31 December 2022
On-balance sheet items		
Due from and placements with banks and other financial institutions	**6,385**	2,819
Derivative financial assets	**4,375**	1,902
Loans and advances to customers	**2,399**	403
Financial investments at FVTPL	**2,877**	2,271
Financial investments at amortised cost	**5,453**	2,755
Financial investments at FVOCI	**7,464**	6,140
Due to and placements from banks and other financial institutions	**29,552**	26,508
Financial liabilities at FVTPL	**–**	1,830
Derivative financial liabilities	**1,843**	1,722
Certificates of deposits issued	**37,211**	–
Off-balance sheet items		
Notional principal of derivative financial instruments	**270,596**	153,484
Credit related commitments and financial guarantees	**242**	16

	2023	2022
Interest income	**860**	355
Interest expense	**(2,221)**	(1,596)
Fee and commission income	**148**	100
Fee and commission expense	**(17)**	(8)

(4) Transactions with state-owned entities in PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). During the year, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, the provision of credit and guarantees, deposits, foreign exchange, derivatives transactions, agency business, underwriting and distribution of bonds issued by the government as well as trading and redemption of securities issued by the government.

Management considers that transactions with state-owned entities 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 these state-owned entities are ultimately controlled or owned by the government. 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 state-owned entities.

(All amounts expressed in millions of RMB unless otherwise stated)

45 RELATED PARTY TRANSACTIONS *(Continued)*

(5) Transactions with subsidiaries

Transactions between the Bank and its subsidiaries are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms. These transactions are eliminated on consolidation. Basic information and relevant details of subsidiaries are set out in Note 21.

Details of transaction volumes and outstanding balances are summarised below:

The Bank	**As at 31 December 2023**	As at 31 December 2022
Due from and placements with banks and other financial institutions	**140,345**	169,576
Loans and advances to customers	**1,249**	505
Financial investments at FVTPL	**241**	237
Financial investments at amortised cost	**1,881**	1,861
Financial investments at FVOCI	**11,124**	10,280
Derivative financial assets	**209**	902
Other assets	**792**	734
Due to and placements from banks and other financial institutions	**18,642**	9,246
Derivative financial liabilities	**7,470**	9,572
Deposits from customers	**5,973**	8,313
Other liabilities	**374**	279

The Bank	**2023**	2022
Interest income	**6,619**	3,811
Interest expense	**(444)**	(296)
Fee and commission income	**1,585**	1,524
Fee and commission expense	**(45)**	(55)
Other operating income	**663**	637
Other operating expense	**(233)**	(175)

(6) Transactions with key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors and the board of supervisors, and executive officers.

Transactions key management personnel, their close relatives and entities that are controlled, jointly controlled or significantly influenced by either such key management personnel or their close relatives and are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms.

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2023	As at 31 December 2022
Loans and advances to customers	**–**	1
Deposits from customers	**10**	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

45 RELATED PARTY TRANSACTIONS *(Continued)*

(6) Transactions with key management personnel *(Continued)*

Compensations of directors and supervisors are disclosed in Note 13. The senior executives' annual compensation during the year is as follows:

(in thousands of RMB)		Year ended 31 December 2023		
Name	**Emoluments**	**Remuneration**	**Other benefits**	**Total**
Executive President				
Mr. Yin, Jiuyong	**–**	**605**	**255**	**860**
Executive Vice President				
Mr. Huang, Hongyuan	**–**	**605**	**267**	**872**
Mr. Zhou, Wanfu	**–**	**605**	**255**	**860**
Mr. Hao, Cheng	**–**	**605**	**255**	**860**
Mr. Qian, Bin	**–**	**605**	**267**	**872**
Director of Operations				
Mr. Tu, Hong	**–**	**1,110**	**265**	**1,375**
Mr. Wang, Wenjin	**–**	**555**	**137**	**692**
Mr. Lin, Hua	**–**	**1,110**	**265**	**1,375**
Chief Risk Officer				
Mr. Liu, Jianjun	**–**	**555**	**134**	**689**
Secretary to the Board				
Mr. He, Zhaobin	**–**	**555**	**137**	**692**
Former Secretary to the Board				
Mr. Gu, Sheng	**–**	**83**	**21**	**104**
Total	**–**	**6,993**	**2,258**	**9,251**

(in thousands of RMB)		Year ended 31 December 2022		
Name	Emoluments	Remuneration	Other benefits	Total
Executive President				
Mr. Yin, Jiuyong	–	591	139	730
Executive Vice President				
Mr. Huang, Hongyuan	–	148	40	188
Mr. Zhou, Wanfu	–	591	139	730
Mr. Hao, Cheng	–	591	139	730
Mr. Qian, Bin	–	591	153	744
Director of Operations				
Mr. Tu, Hong	–	1,000	153	1,153
Chief Risk Officer				
Mr. Lin, Hua	–	1,000	153	1,153
Secretary to the Board				
Mr. Gu, Sheng	–	1,000	118	1,118
Former Executive Vice President				
Mr. Guo, Mang	–	541	127	668
Former Chief Expert				
Mr. Wang, Feng	–	83	12	95
Total	–	6,136	1,173	7,309

(All amounts expressed in millions of RMB unless otherwise stated)

45 RELATED PARTY TRANSACTIONS *(Continued)*

(7) Transactions with associates and joint ventures *(Continued)*

Transactions between the Group and its associates and joint ventures are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms. Basic information and relevant details of associates and joint ventures are set out in Note 22.

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2023	As at 31 December 2022
On-balance sheet items		
Due from and placements with banks and other financial institutions	**1,005**	–
Derivative financial assets	**1,048**	1,212
Loans and advances to customers	**9,759**	20,765
Financial investments at amortised cost	**–**	102
Due to and placements from banks and other financial institutions	**809**	907
Derivative financial liabilities	**17**	25
Deposits from customers	**1,161**	84
Off-balance sheet items		
Notional principal of derivative financial instruments	**4,690**	4,594
Credit related commitments and financial guarantees	**21,806**	6,400

	2023	2022
Interest income	**369**	373
Interest expense	**(67)**	(2)

(8) Transactions with other related parties

Transactions with other related parties are conducted under normal transaction terms and market pricing terms and which comply with normal commercial terms.

Details of transaction volumes and outstanding balances are summarised below:

	As at 31 December 2023	As at 31 December 2022
On-balance sheet items		
Loans and advances to customers	**983**	677
Due to and placements from banks and other financial institutions	**303**	331
Deposits from customers	**86,199**	70,307
Off-balance sheet items		
Credit related commitments and financial guarantees	**200**	904

	2023	2022
Interest income	**19**	14
Interest expense	**(3,674)**	(2,748)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

45 RELATED PARTY TRANSACTIONS *(Continued)*

(9) Transactions with Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund and normal banking transactions, no other material transactions were conducted between the Group and the bank with the Annuity Fund for the years ended 31 December 2023 and 2022.

(10) Proportion of major related party transactions

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements. When calculating the proportion of related party transactions, transactions with the subsidiary are not involved.

	As at 31 December 2023		As at 31 December 2022	
	Balances	**%**	Balances	%
On-balance sheet items				
Due from and placements with banks and other financial institutions	**7,390**	**0.86**	2,819	0.41
Derivative financial assets	**5,423**	**8.05**	3,114	4.47
Loans and advances to customers	**13,141**	**0.17**	21,846	0.31
Financial investments at FVTPL	**68,815**	**10.71**	33,735	4.78
Financial investments at amortised cost	**1,096,138**	**42.59**	874,029	35.66
Financial investments at FVOCI	**131,394**	**14.80**	207,509	25.97
Due to and placements from banks and other financial institutions	**(30,664)**	**1.62**	(27,746)	1.36
Financial liabilities at FVTPL	**–**	**–**	(1,830)	3.82
Derivative financial liabilities	**(1,860)**	**3.65**	(1,747)	3.73
Deposits from customers	**(178,995)**	**2.09**	(162,810)	2.05
Certificates of deposits issued	**(37,211)**	**3.62**	–	–
Off-balance sheet items				
Notional principal of derivative financial instruments	**275,286**	**3.48**	158,078	2.44
Credit related commitments and financial guarantees	**22,248**	**1.00**	7,320	0.33

	2023		2022	
	Amount	**%**	Amount	%
Interest income	**35,393**	**7.57**	29,969	7.07
Interest expense	**(9,773)**	**3.30**	(8,192)	3.30
Fee and commission income	**148**	**0.31**	100	0.20
Fee and commission expense	**(17)**	**0.41**	(8)	0.17

46 SEGMENTAL ANALYSIS

Operating segments are identified based on the structure of the Group's internal organization and management requirements. Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Funds are ordinarily allocated between segments. Costs of these funds are charged at the Group's cost of capital and disclosed in inter-segment net interest income. Net interest income and expense relating to third parties are disclosed in external net interest income. There are no other material items of income or expenses between the segments.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income tax is managed on a group basis and is not allocated to operating segments.

Geographical operating segment information

The Group's Board of Directors and senior management reviews the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's geographical operating segments are decided based upon location of the assets, as the Group's branches and subsidiaries mainly serve local customers.

The Group's geographical operating segments include provincial and directly managed branches and subsidiaries (if any) in relevant regions, as follows:

– Head Office: Head Office, including the Pacific Credit Card Centre;

– Yangtze River Delta: including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province and Anhui Province;

– Central China: including Shanxi Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Hainan Province and Guangxi Zhuang Autonomous Region;

– Bohai Rim Economic Zone: including Beijing, Tianjin, Hebei Province and Shandong Province;

– Pearl River Delta: including Fujian Province and Guangdong Province;

– Western China: including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Inner Mongolia Autonomous Region, Ningxia Autonomous Region, Xinjiang Uyghur Autonomous Region and Tibet Autonomous Region;

– North Eastern China: including Liaoning Province, Jilin Province and Heilongjiang Province;

– Overseas: including Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Melbourne, Toronto, Prague and Johannesburg.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

46 SEGMENTAL ANALYSIS *(Continued)*

Geographical operating segment information *(Continued)*

The geographical operating segment information of the Group is summarised as follows:

	Year ended 31 December 2023								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External net interest income/(expense)	21,995	10,379	(3,212)	20,894	17,232	(1,525)	13,336	85,024	164,123
Inter-segment net interest income/(expense)	28,476	9,527	27,809	9,261	2,150	7,275	1,059	(85,557)	–
Net interest income/(expense)	50,471	19,906	24,597	30,155	19,382	5,750	14,395	(533)	164,123
Fee and commission income	11,845	3,866	5,506	5,853	3,144	1,216	2,077	13,641	47,148
Fee and commission expense	(1,364)	(35)	(76)	(97)	(21)	(14)	(186)	(2,351)	(4,144)
Net fee and commission income	10,481	3,831	5,430	5,756	3,123	1,202	1,891	11,290	43,004
Net gains/(loss) arising from trading activities	5,924	380	298	494	(108)	20	1,207	15,009	23,224
Net gains/(loss) arising from financial investments	1,596	1	–	–	–	15	(617)	(268)	727
Share of (loss)/profits of associates and joint ventures	(15)	–	–	–	–	–	63	308	356
Other operating income	23,109	403	529	504	405	213	822	595	26,580
Total net operating income	91,566	24,521	30,854	36,909	22,802	7,200	17,761	26,401	258,014
Credit impairment losses	(7,633)	(9,491)	(846)	(6,282)	(7,225)	(781)	(6,071)	(18,579)	(56,908)
Other assets impairment (losses)/reversal	(1,029)	1	1	(3)	(10)	(23)	–	1	(1,062)
Other operating expense	(35,320)	(7,155)	(9,250)	(9,765)	(6,758)	(3,458)	(5,742)	(22,898)	(100,346)
Profit/(loss) before tax	47,584	7,876	20,759	20,859	8,809	2,938	5,948	(15,075)	99,698
Income tax									(6,446)
Net profit for the year									93,252
Depreciation and amortisation	(1,781)	(955)	(1,178)	(1,176)	(956)	(497)	(569)	(2,415)	(9,527)
Capital expenditure	(40,918)	(257)	(398)	(668)	(380)	(271)	(294)	(3,833)	(47,019)

	Year ended 31 December 2022								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External net interest income/(expense)	28,138	13,195	(1,906)	23,356	18,025	(516)	10,903	78,687	169,882
Inter-segment net interest income/(expense)	23,929	7,099	26,649	7,765	1,568	6,358	121	(73,489)	–
Net interest income/(expense)	52,067	20,294	24,743	31,121	19,593	5,842	11,024	5,198	169,882
Fee and commission income	14,336	4,016	5,554	5,827	3,069	1,183	2,226	13,128	49,339
Fee and commission expense	(2,620)	(42)	(70)	(153)	(21)	(15)	(214)	(1,349)	(4,484)
Net fee and commission income	11,716	3,974	5,484	5,674	3,048	1,168	2,012	11,779	44,855
Net gains/(loss) arising from trading activities	3,362	274	177	651	(173)	78	(471)	13,709	17,607
Net gains/(loss) arising from financial investments	948	–	27	–	–	17	(146)	(352)	494
Share of (loss)/profits of associates and joint ventures	(55)	–	–	–	–	–	65	282	292
Other operating income	18,908	582	1,252	1,043	868	266	802	495	24,216
Total net operating income	86,946	25,124	31,683	38,489	23,336	7,371	13,286	31,111	257,346
Credit impairment losses	(6,154)	(6,968)	(13,868)	(870)	(7,281)	(3,961)	(4,357)	(16,952)	(60,411)
Other assets impairment (losses)/reversal	(1,884)	(2)	(2)	(2)	(1)	(7)	–	1	(1,897)
Other operating expense	(31,213)	(6,955)	(9,177)	(9,484)	(6,674)	(3,371)	(5,138)	(24,911)	(96,923)
Profit/(loss) before tax	47,695	11,199	8,636	28,133	9,380	32	3,791	(10,751)	98,115
Income tax									(6,160)
Net profit for the year									91,955
Depreciation and amortisation	(1,793)	(945)	(1,141)	(1,135)	(956)	(497)	(508)	(1,675)	(8,650)
Capital expenditure	(25,091)	(340)	(210)	(391)	(856)	(190)	(441)	(3,989)	(31,508)

(All amounts expressed in millions of RMB unless otherwise stated)

46 SEGMENTAL ANALYSIS *(Continued)*

Geographical operating segment information *(Continued)*

	As at 31 December 2023									
	Yangtze River Delta	**Pearl River Delta**	**Bohai Rim Economic North Eastern Zone**	**Central China**	**Western China**	**North Eastern China**	**Overseas**	**Head Office**	**Eliminations**	**Total**
Segment assets	**3,581,356**	**1,280,694**	**2,097,935**	**1,498,173**	**1,025,178**	**471,772**	**1,204,469**	**5,486,713**	**(2,626,197)**	**14,020,093**
Including:										
Investments in associates and joint ventures	***1,427***	**–**	**–**	***1***	**–**	**–**	***1,038***	***6,524***	**–**	***8,990***
Unallocated assets										**40,379**
Total assets										**14,060,472**
Segment liabilities	**(3,451,137)**	**(1,269,395)**	**(2,074,193)**	**(1,479,208)**	**(1,013,057)**	**(470,188)**	**(1,101,049)**	**(4,726,585)**	**2,626,197**	**(12,958,615)**
Unallocated liabilities										**(2,407)**
Total liabilities										**(12,961,022)**

	As at 31 December 2022									
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	3,194,409	1,234,660	1,889,591	1,410,944	971,233	459,731	1,147,452	4,949,513	(2,305,474)	12,952,059
Including:										
Investments in associates and joint ventures	*1,439*	–	–	*1*	–	–	*1,010*	*6,300*	–	*8,750*
Unallocated assets										39,512
Total assets										12,991,571
Segment liabilities	(2,931,210)	(1,219,145)	(1,872,761)	(1,364,697)	(960,633)	(462,599)	(1,086,247)	(4,364,445)	2,305,474	(11,956,263)
Unallocated liabilities										(1,786)
Total liabilities										(11,958,049)

The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

Business information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade financing, corporate deposits and remittance. Personal banking mainly comprises personal loans, personal deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. Others Business segment mainly comprises items which cannot be categorised in the above business segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

46 SEGMENTAL ANALYSIS *(Continued)*

Business information *(Continued)*

The business information of the Group is summarised as follows:

	Year ended 31 December 2023				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
External net interest income/(expense)	**84,507**	**23,300**	**56,346**	**(30)**	**164,123**
Inter-segment net interest income/(expense)	**7,061**	**48,702**	**(55,763)**	**–**	**–**
Net interest income/(expense)	**91,568**	**72,002**	**583**	**(30)**	**164,123**
Net fee and commission income	**9,985**	**28,325**	**4,495**	**199**	**43,004**
Net gains/(loss) arising from trading activities	**4,681**	**1,465**	**17,281**	**(203)**	**23,224**
Net (loss)/gains arising from financial investments	**(204)**	**939**	**(8)**	**–**	**727**
Share of profits/(loss) of associates and joint ventures	**46**	**–**	**(15)**	**325**	**356**
Other operating income	**21,506**	**4,087**	**608**	**379**	**26,580**
Total net operating income	**127,582**	**106,818**	**22,944**	**670**	**258,014**
Credit impairment losses	**(30,050)**	**(25,039)**	**(1,818)**	**(1)**	**(56,908)**
Other assets impairment (losses)/reversal	**(1,068)**	**5**	**–**	**1**	**(1,062)**
Other operating expense					
– Depreciation and amortisation	**(3,486)**	**(5,283)**	**(614)**	**(144)**	**(9,527)**
– Others	**(42,419)**	**(42,961)**	**(4,733)**	**(706)**	**(90,819)**
Profit/(loss) before tax	**50,559**	**33,540**	**15,779**	**(180)**	**99,698**
Income tax					**(6,446)**
Net profit for the year					**93,252**
Depreciation and amortisation	**(3,486)**	**(5,283)**	**(614)**	**(144)**	**(9,527)**
Capital expenditure	**(42,813)**	**(3,578)**	**(448)**	**(180)**	**(47,019)**

	Year ended 31 December 2022				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income/(expense)	80,160	45,194	44,551	(23)	169,882
Inter-segment net interest income/(expense)	13,671	24,617	(38,288)	–	–
Net interest income/(expense)	93,831	69,811	6,263	(23)	169,882
Net fee and commission income	10,008	29,919	4,749	179	44,855
Net gains arising from trading activities	3,473	558	13,556	20	17,607
Net (loss)/gains arising from financial investments	(13)	887	(398)	18	494
Share of profits/(loss) of associates and joint ventures	28	(1)	(54)	319	292
Other operating income	17,679	4,988	1,013	536	24,216
Total net operating income	125,006	106,162	25,129	1,049	257,346
Credit impairment (losses)/reversal	(39,700)	(22,262)	1,552	(1)	(60,411)
Other assets impairment losses	(1,891)	(6)	–	–	(1,897)
Other operating expense					
– Depreciation and amortisation	(3,354)	(4,600)	(545)	(151)	(8,650)
– Others	(37,651)	(45,203)	(4,837)	(582)	(88,273)
Profit before tax	42,410	34,091	21,299	315	98,115
Income tax					(6,160)
Net profit for the year					91,955
Depreciation and amortisation	(3,354)	(4,600)	(545)	(151)	(8,650)
Capital expenditure	(27,187)	(3,736)	(416)	(169)	(31,508)

(All amounts expressed in millions of RMB unless otherwise stated)

46 SEGMENTAL ANALYSIS *(Continued)*

Business information *(Continued)*

	As at 31 December 2023				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
Segment assets	**6,138,677**	**2,305,171**	**5,534,582**	**41,663**	**14,020,093**
Including:					
Investments in associates and joint ventures	***2,457***	***1,429***	***–***	***5,104***	***8,990***
Unallocated assets					**40,379**
Total assets					**14,060,472**
Segment liabilities	**(5,474,229)**	**(3,620,670)**	**(3,802,004)**	**(57,174)**	**(12,954,077)**
Unallocated liabilities					**(6,945)**
Total liabilities					**(12,961,022)**

	As at 31 December 2022				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	5,447,892	2,267,232	5,191,367	45,568	12,952,059
Including:					
Investments in associates and joint ventures	*2,427*	*1,439*	*–*	*4,884*	*8,750*
Unallocated assets					39,512
Total assets					12,991,571
Segment liabilities	(5,312,199)	(3,152,334)	(3,424,096)	(63,697)	(11,952,326)
Unallocated liabilities					(5,723)
Total liabilities					(11,958,049)

There were no significant transactions with a single external customer that the Group mainly relied on.

The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income and expense distribution between various business segments have been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

47 FINANCIAL STATEMENTS OF THE BANK

(1) Statement of financial position of the Bank

	As at 31 December 2023	As at 31 December 2022
Assets		
Cash and balances with central banks	893,502	801,402
Due from and placements with banks and other financial institutions	923,931	793,966
Derivative financial assets	63,846	65,871
Loans and advances to customers	7,400,621	6,767,462
Financial investments at fair value through profit or loss	504,152	577,709
Financial investments at amortised cost	2,497,643	2,353,127
Financial investments at fair value through other comprehensive income	705,189	625,454
Investments in associates and joint ventures	6,524	6,300
Investments in subsidiaries	83,845	84,279
Property and equipment	50,058	51,038
Deferred income tax assets	36,520	36,248
Other assets	66,037	60,844
Total assets	13,231,868	12,223,700

	As at 31 December 2023	As at 31 December 2022
Liabilities and Equity		
Liabilities		
Due to banks and other financial institutions	2,224,251	1,864,487
Financial liabilities at FVTPL	42,335	32,172
Derivative financial liabilities	52,972	54,805
Deposits from customers	8,243,835	7,644,612
Certificates of deposits issued	1,011,664	1,080,787
Current income tax liabilities	3,507	2,572
Debt securities issued	526,939	461,224
Deferred income tax liabilities	119	–
Other liabilities	111,328	120,021
Total liabilities	12,216,950	11,260,680
Equity		
Share capital	74,263	74,263
Other equity investments	174,790	174,790
Including: Preference shares	*44,952*	*44,952*
Perpetual bonds	*129,838*	*129,838*
Capital surplus	111,226	111,227
Other reserves	381,063	353,238
Retained earnings	273,576	249,502
Total equity	1,014,918	963,020
Total equity and liabilities	13,231,868	12,223,700

The financial statements of the Bank were approved and authorised for issuance by the Board of Directors on 27 March 2024 and signed on its behalf by:

Chairman and Executive Director: Ren Deqi **Vice Chairman, Executive Director and President: Liu Jun**

(All amounts expressed in millions of RMB unless otherwise stated)

47 FINANCIAL STATEMENTS OF THE BANK *(Continued)*

(2) Statement of changes in equity of the Bank

		Other equity instruments			Other reserves										
	Share capital	Preference Share	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve and impairment reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings	Total
As at 1 January 2023	74,263	44,952	129,838	111,227	84,566	139,764	133,778	(5,874)	(157)	(37)	(116)	(121)	1,435	249,502	963,020
Total comprehensive income	-	-	-	-	-	-	-	4,834	458	(111)	842	33	(14)	81,030	87,072
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,700)	(27,700)
Dividends paid to preference shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,832)	(1,832)
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,641)	(5,641)
Transfer to reserves	-	-	-	-	8,399	-	13,384	-	-	-	-	-	-	(21,783)	-
Others	-	-	-	(1)	-	-	-	-	-	-	-	-	-	-	(1)
As at 31 December 2023	74,263	44,952	129,838	111,226	92,965	139,764	147,162	(1,040)	301	(148)	726	(88)	1,421	273,576	1,014,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2023
(All amounts expressed in millions of RMB unless otherwise stated)

47 FINANCIAL STATEMENTS OF THE BANK *(Continued)*

(2) Statement of changes in equity of the Bank *(Continued)*

		Other equity instruments			Other reserves										
	Share capital	Preference Share	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve and impairment reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation differences for foreign operations	Actuarial changes reserve	Others	Retained earnings	Total
As at 1 January 2022	74,263	44,952	129,838	111,226	77,044	139,764	122,341	(12)	(24)	53	(3,804)	(87)	1,391	218,328	915,273
Total comprehensive income	–	–	–	–	–	–	–	(5,869)	(133)	(90)	3,688	(34)	44	83,986	81,592
Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(26,363)	(26,363)
Dividends paid to preference shareholders	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,832)	(1,832)
Interest paid to perpetual bond holders	–	–	–	–	–	–	–	–	–	–	–	–	–	(5,651)	(5,651)
Transfer to reserves	–	–	–	–	7,522	–	11,437	–	–	–	–	–	–	(18,959)	–
Transferred from other comprehensive income	–	–	–	1	–	–	–	–	–	–	–	–	–	–	1
Others	–	–	–	–	–	–	–	7	–	–	–	–	–	(7)	–
As at 31 December 2022	74,263	44,952	129,838	111,227	84,566	139,764	133,778	(5,874)	(157)	(37)	(116)	(121)	1,435	249,502	963,020

48 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

Profit distribution after reporting period

On 27 March 2024, the Board of Directors of the Bank proposed to appropriate RMB8,103 million to the statutory reserve and RMB13,175 million to the statutory general reserve. A cash dividend of RMB0.375 (before tax) for each share, totalling RMB27,849 million, calculated based on the total number of shares outstanding of 74,263 million shares (RMB1 per share) as at 31 December 2023 was also proposed. The proposal will be subject to the approval by the General Meeting of Shareholders.

49 AUDIT FEES

In 2023, KPMG and its network member firms were paid a professional audit service fee of RMB75 million by the Group for the audit of the financial statements of the Group (For the year ended 31 December 2022: RMB61 million).

50 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2023

1 CURRENCY CONCENTRATIONS

As at 31 December 2023	**USD**	**HKD**	**Others**	**Total**
Spot assets	**982,254**	**244,035**	**261,197**	**1,487,486**
Spot liabilities	**(849,432)**	**(285,305)**	**(142,071)**	**(1,276,808)**
Forward purchases	**1,718,050**	**226,260**	**339,376**	**2,283,686**
Forward sales	**(1,966,153)**	**(114,065)**	**(453,434)**	**(2,533,652)**
Net option position	**(1,674)**	**117**	**843**	**(714)**
Net (short)/long position	**(116,955)**	**71,042**	**5,911**	**(40,002)**
Net structural position	**170,087**	**29,624**	**7,771**	**207,482**

As at 31 December 2022	USD	HKD	Others	Total
Spot assets	908,713	259,892	241,149	1,409,754
Spot liabilities	(942,837)	(300,722)	(145,452)	(1,389,011)
Forward purchases	1,203,294	190,054	141,921	1,535,269
Forward sales	(1,386,509)	(105,679)	(208,133)	(1,700,321)
Net option position	(89)	94	1,292	1,297
Net (short)/long position	(217,428)	43,639	30,777	(143,012)
Net structural position	145,847	29,508	7,788	183,143

The net options position is calculated using the approach set out by the China's National Financial Regulatory Administration in the regulatory report. The net structural position of the Group includes the structural positions of the Group's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

– Investments in fixed assets and properties, net of depreciation charges;

– Capital and statutory reserve of overseas branches;

– Investments in overseas subsidiaries and related companies; and

– Loan capital

2 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Chinese Mainland.

In respect of this unaudited supplementary financial information, Chinese Mainland excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Chinese Taiwan.

International claims include loans and advances to customers, due from and placements with banks and other financial institutions, trade bills and certificates of deposits held and investment securities.

International claims have been disclosed by country or region. A country or 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 risk exposure is transferred to other counterparty by risk resolving methods. Exposure to credit risk is also mitigated through methods of guarantees, collaterals and credit derivatives.

2 INTERNATIONAL CLAIMS *(Continued)*

As at 31 December 2023	**Bank**	**Official sector**	**Non-bank Private sector**	**Others**	**Total**
Asia Pacific	**683,105**	**110,199**	**744,482**	**–**	**1,537,786**
Of which attributed to Hong Kong	***184,678***	***71,713***	***349,970***	**–**	***606,361***
North and South America	**26,415**	**14,771**	**34,063**	**–**	**75,249**
Africa	**1,497**	**1,495**	**324**	**–**	**3,316**
Europe	**18,162**	**645**	**37,467**	**–**	**56,274**
Total	**729,179**	**127,110**	**816,336**	**–**	**1,672,625**

As at 31 December 2022	Bank	Official sector	Non-bank Private sector	Others	Total
Asia Pacific	680,295	109,709	711,608	–	1,501,612
Of which attributed to Hong Kong	*211,057*	*66,346*	*350,515*	–	*627,918*
North and South America	20,389	12,455	28,645	–	61,489
Africa	701	1,702	96	–	2,499
Europe	10,389	593	25,469	–	36,451
Total	711,774	124,459	765,818	–	1,602,051

3 OVERDUE AND RESTRUCTURED ASSETS

(1) Balance of overdue loans

	As at 31 December 2023	As at 31 December 2022
Loans and advances to customers which have been overdue for:		
– Less than 3 months	**41,727**	27,737
– 3 to 6 months	**14,838**	16,524
– 6 to 12 months	**20,089**	16,956
– Over 12 months	**33,467**	23,611
Total	**110,121**	84,828
Percentage (%):		
– Less than 3 months	**0.52**	0.38
– 3 to 6 months	**0.19**	0.23
– 6 to 12 months	**0.25**	0.23
– Over 12 months	**0.42**	0.32
Total	**1.38**	1.16

(2) Overdue and restructured loans

	As at 31 December 2023	As at 31 December 2022
Total restructured loans and advances to customers	**40,836**	13,660
Including: Restructured loans and advances to customers overdue above 3 months	***6,306***	*1,533*
Percentage of restructured loans and advances to customers overdue above 3 months in total loans	**0.08**	0.02

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

For the year ended 31 December 2023

4 SEGMENTAL INFORMATION OF LOANS

(1) Impaired loans and advances to customers by geographical area

	As at 31 December 2023		As at 31 December 2022	
	Impaired loans and advances to customers	Allowance for impairment losses	Impaired loans and advances to customers	Allowance for impairment losses
Chinese mainland				
– Yangtze River Delta	**20,563**	**(11,492)**	21,107	(11,898)
– Bohai Rim Economic Zone	**16,472**	**(10,418)**	10,707	(8,992)
– Central China	**13,311**	**(7,048)**	14,520	(6,287)
– Pearl River Delta	**12,214**	**(7,065)**	8,403	(4,872)
– North Eastern China	**11,221**	**(8,406)**	13,595	(10,588)
– Western China	**9,443**	**(5,473)**	9,333	(6,022)
– Head Office	**9,392**	**(8,118)**	9,310	(8,158)
Subtotal	**92,616**	**(58,020)**	86,975	(56,817)
Hong Kong, Macau, Taiwan and overseas regions	**13,053**	**(9,805)**	11,551	(5,260)
Total	**105,669**	**(67,825)**	98,526	(62,077)

(2) Overdue loans and advances to customers by geographical area

	As at 31 December 2023		As at 31 December 2022	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Chinese mainland				
– Head Office	**28,064**	**(20,774)**	20,116	(15,595)
– Yangtze River Delta	**14,191**	**(7,624)**	9,076	(5,276)
– Central China	**14,155**	**(6,568)**	13,298	(5,261)
– Bohai Rim Economic Zone	**13,302**	**(8,181)**	9,361	(7,438)
– Pearl River Delta	**11,803**	**(6,546)**	7,165	(4,091)
– Western China	**8,184**	**(3,652)**	6,707	(3,553)
– North Eastern China	**7,697**	**(5,667)**	9,661	(7,065)
Subtotal	**97,396**	**(59,012)**	75,384	(48,279)
Hong Kong, Macau, Taiwan and overseas regions	**12,725**	**(2,579)**	9,444	(4,809)
Total	**110,121**	**(61,591)**	84,828	(53,088)

5 LOANS AND ADVANCES TO CUSTOMERS

(1) The risk concentration analysis for loans and advances to customers by geographical and industry sectors (gross)

	As at 31 December 2023			As at 31 December 2022		
Hong Kong		**%**	**Amount covered by collaterals**		%	Amount covered by collaterals
Corporate loans						
Real estate	**75,477**	**33.63**	**23,943**	98,548	41.49	24,474
Manufacturing	**21,120**	**9.40**	**3,519**	9,921	4.17	3,711
Transportation, storage and postal service	**12,411**	**5.52**	**2,966**	10,829	4.56	2,421
Wholesale and retail	**11,372**	**5.06**	**3,615**	12,633	5.32	3,425
Leasing and commercial services	**10,562**	**4.70**	**3,855**	10,948	4.61	4,235
Finance	**7,000**	**3.11**	**1,150**	5,419	2.28	1,136
Construction	**6,619**	**2.94**	**1,562**	6,961	2.93	1,418
Information transmission, software and IT services	**6,592**	**2.93**	**42**	4,264	1.79	56
Accommodation and catering	**2,153**	**0.96**	**2,153**	–	–	–
Production and supply of power, heat, gas and water	**149**	**0.07**	**149**	717	0.30	429
Others	**14,902**	**6.63**	**1,262**	23,321	9.82	1,352
Total corporate loans	**168,357**	**74.90**	**44,216**	183,561	77.27	42,657
Personal loans						
Mortgage	**41,652**	**18.53**	**41,580**	39,705	16.71	39,575
Credit cards	**121**	**0.05**	**–**	105	0.04	–
Others	**14,658**	**6.52**	**14,015**	14,214	5.98	3,467
Total personal loans	**56,431**	**25.10**	**55,595**	54,024	22.73	43,042
Gross amount of loans and advances to customers before impairment allowance	**224,788**	**100.00**	**99,811**	237,585	100.00	85,699
Outside Hong Kong	**7,732,297**			7,057,380		

Note: The classification of industries is consistent with the latest national standards for industry classification (Industrial Classification for National Economic Activities (GB/T 4754-2017) issued by SAC and AQSIQ in 2017).

The risk concentration analysis for loans and advances to customers by industry sectors is based on the Group's internal classification system.

The ratio of collateral and pledge loans to the total loans of the Group was 48% as at 31 December 2023 (31 December 2022: 50%).

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

For the year ended 31 December 2023

5 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

(2) Allowance on loans and advances to customers by type of loan

	As at 31 December 2023		As at 31 December 2022	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Corporates	**85,546**	**(53,567)**	78,523	(48,157)
Individuals	**20,123**	**(14,258)**	20,003	(13,920)
Total	**105,669**	**(67,825)**	98,526	(62,077)

The amount of new provisions charged to statement of profit or loss, and the amount of loans and advances written off during the period are disclosed below:

	Year ended 31 December 2023			Year ended 31 December 2022		
	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years
Corporates	**26,060**	**(9,871)**	**3,166**	35,060	(24,584)	3,339
Individuals	**28,077**	**(21,228)**	**2,513**	23,042	(21,729)	1,807
Total	**54,137**	**(31,099)**	**5,679**	58,102	(46,313)	5,146

SUPPLEMENTARY INFORMATION ON LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

APPENDIX 1: INFORMATION RELATED TO LEVERAGE RATIO

Leverage ratio disclosure is disclosed according to Note 3 *Leverage Ratio Disclosure Format of the Measures for the Administration of the Ratio of Commercial Banks (Revised)*.

RECONCILIATION OF REGULATORY CONSOLIDATION AND ACCOUNTING CONSOLIDATION

(in millions of RMB)

Serial Number	Item	31 December 2023	31 December 2022
1	Total consolidated assets	**14,060,472**	12,992,419
2	Adjustments of consolidation	**(134,383)**	(106,912)
3	Adjustments item of customer's assets	**–**	–
4	Adjustments of derivatives	**38,611**	36,022
5	Adjustments of securities financing transactions	**74,225**	23,078
6	Adjustments of off-balance sheet item	**1,365,162**	1,411,948
7	Other Adjustments	**(7,062)**	(6,941)
8	Balance of adjusted on- and off-balance sheet assets	**15,397,025**	14,349,614

LEVERAGE RATIO INFORMATION

(in millions of RMB unless otherwise stated)

Serial Number	Item	31 December 2023	31 December 2022
1	On-balance-sheet assets (excluding derivatives and securities financing transactions)	**13,658,311**	12,636,526
2	Less: Deduction of tier-1 capital	**(7,062)**	(6,941)
3	**Balance of adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	**13,651,249**	12,629,585
4	Replacement costs of derivatives (less eligible margin)	**66,497**	67,164
5	Potential risk exposure of derivatives	**39,501**	38,544
6	Sum of collaterals deducted from the balance sheet	**–**	–
7	Less: Assets receivable from providing eligible margin	**–**	–
8	Less: Derivative assets resulting from the transactions with central counterparties in providing clearing settlement services for customers	**–**	–
9	Notional principal of sold credit derivatives	**–**	–
10	Less: Deductible balance of sold credit derivatives	**–**	–
11	**Derivative asset balance**	**105,998**	105,708
12	Accounting asset balance of securities financing transactions	**212,421**	179,295
13	Less: Balance of deductible securities financing transaction assets	**–**	–
14	Counterparty credit risk exposure of securities financing transactions	**62,195**	23,078
15	Balance of securities financing transaction assets from acting for securities financing transactions	**–**	–
16	**Securities financing assets balance**	**274,616**	202,373
17	Balance of off-balance-sheet items	**3,120,948**	3,046,801
18	Less: Balance of off-balance-sheet items arising from the reduction of credit transfer	**(1,755,786)**	(1,634,853)
19	**Adjusted off-balance sheet items balance**	**1,365,162**	1,411,948
20	Net tier-1 capital	**1,081,683**	1,016,644
21	Adjusted balance of on- and off-balance sheet assets	**15,397,025**	14,349,614
22	**Leverage ratio (%)**	**7.03**	7.08

SUPPLEMENTARY INFORMATION ON LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

APPENDIX 2: THE DAILY AVERAGE LIQUIDITY COVERAGE RATIO AND ITS DETAILS OF THE GROUP IN THE FOURTH QUARTER OF 2023

(in millions of RMB unless otherwise stated)

Serial Number		Amount before conversion	Amount after conversion
The qualified high-quality liquid assets			
1	The qualified high-quality liquid assets		2,299,092
Cash Outflow			
2	Retail deposits, small business deposits, including:	3,229,426	312,581
3	Stable deposit	205,463	10,185
4	Less stable deposit	3,023,963	302,396
5	Unsecured wholesale funding, including:	5,206,468	2,252,779
6	Business relationship deposit (excluding agency business)	2,782,680	693,565
7	Non-business relationship deposit (including all counterparties)	2,406,592	1,542,018
8	Unsecured debt	17,196	17,196
9	Secured funding		6,668
10	Other items, including:	2,406,769	1,342,550
11	Cash outflow relates to derivatives and other collateral/pledged assets	1,290,413	1,282,883
12	Cash outflow relates to loss of funding on asset-blocked securities	762	762
13	Committed credit and liquidity facilities	1,115,594	58,905
14	Other contractual obligation to extend funds	71,200	71,200
15	Contingent funding obligations	2,538,146	74,379
16	Total expected cash outflow		4,060,157
Cash Inflow			
17	Secured lending (including reverse repos and securities borrowing)	212,346	212,345
18	Inflows from fully performing exposure	1,130,668	810,371
19	Other cash inflow	1,325,073	1,303,676
20	Total expected cash inflow	2,668,087	2,326,392
			Amount after adjustment
21	The qualified high-quality liquid assets		2,230,254
22	Net cash outflow		1,733,765
23	Liquidity Coverage Ratio (%)		128.50

APPENDIX 3: NET STABLE FUNDING RATIO AND ITEMS FOR THE THIRD QUARTER OF 2023

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value No Maturity	Unweighted value Less than 6 months	Unweighted value 6-12 months	Unweighted value Over 1 year	Weighted value
Available Stable Funding Item						
1	Capital	1,064,541	–	–	189,990	1,254,531
2	Regulatory Capital	1,064,541	–	–	189,990	1,254,531
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small enterprises	907,754	2,462,857	21,982	6,068	3,070,374
5	Stable deposits	212,669	6,189	612	2,370	210,867
6	Less stable deposits	695,085	2,456,668	21,369	3,698	2,859,508
7	Wholesale funding	2,709,596	4,301,683	710,823	535,153	3,359,083
8	Operational deposits	2,666,461	235,607	38,046	23,082	1,493,139
9	Other wholesale funding	43,135	4,066,076	672,777	512,071	1,865,944
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	79,605	323,183	53,130	339,039	352,365
12	Net stable funding ratio derivative liabilities				80,209	
13	All other liabilities and equities not included in the above categories	79,605	323,183	53,130	258,830	352,365
14	Total available stable funding					8,036,353
Required Stable Funding Item						
15	Total net stable funding ratio high-quality liquid assets					395,802
16	Business relationship deposits held at other financial institutions	98,351	310	–	–	49,330
17	Loans and securities	91,467	2,573,874	1,117,160	5,455,319	6,329,675
18	Loans to financial institutions secured by Level 1 assets	–	41,682	–	–	6,247
19	Loans to financial institutions secured by non-Level 1 assets or unsecured	–	561,694	145,359	139,069	296,002
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities.	24	1,794,063	927,510	3,491,341	4,319,528
21	Including: with a risk weight less than or equal to 35%	–	23,784	928	48,031	43,576
22	Residential mortgages	–	854	1,030	1,429,542	1,216,052
23	Including: with a risk weight less than or equal to 35%	–	–	–	–	–
24	Securities that are not in default and do not qualify as high-quality liquid assets, including exchange-traded equities	91,444	175,582	43,260	395,367	491,846
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	114,105	98,374	14,923	234,231	346,368
27	Physical traded commodities (including gold)	18,766				15,951
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties				15,202	12,922
29	Net stable funding ratio derivative assets				124,174	6,721
30	Derivative with additional requirements				77,998	15,600
31	All other assets not included in the above	95,339	98,374	14,923	94,854	295,174
32	Off-balance-sheet items				3,934,033	145,373
33	Total required stable funding					7,266,548
34	Net stable funding ratio (%)					110.59

Notes:

1. The “no maturity” bucket mentioned in the table above include, but are not limited to, capital with perpetual maturity, non-maturity (demand) deposits, short positions, open maturity positions, non-high-quality liquid assets equities, and physical traded commodities.
2. The unweighted value of item 30 “Net stable funding ratio derivative liabilities with additional requirements” is the net stable funding ratio derivative liabilities before the deduction of the variation margin, without differentiation of maturity, and not included in the unweighted value of item 26 “Other assets”.

SUPPLEMENTARY INFORMATION ON LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

APPENDIX 4: NET STABLE FUNDING RATIO AND ITEMS FOR THE FOURTH QUARTER OF 2023

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value				Weighted value
		No Maturity	Less than 6 months	6-12 months	Over 1 year	
Available Stable Funding Item						
1	Capital	1,092,641	–	–	219,989	1,312,630
2	Regulatory Capital	1,092,641	–	–	219,989	1,312,630
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small enterprises	932,020	2,512,776	13,867	5,983	3,130,252
5	Stable deposits	222,227	6,717	506	2,324	220,302
6	Less stable deposits	709,793	2,506,059	13,361	3,658	2,909,950
7	Wholesale funding	2,923,180	3,940,579	1,015,024	541,684	3,509,075
8	Operational deposits	2,880,401	243,999	40,030	20,427	1,602,643
9	Other wholesale funding	42,779	3,696,580	974,994	521,256	1,906,433
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	83,574	322,513	17,412	308,536	340,809
12	Net stable funding ratio derivative liabilities				47,101	
13	All other liabilities and equities not included in the above categories	83,574	322,513	17,412	261,435	340,809
14	Total available stable funding					8,292,766
Required Stable Funding Item						
15	Total net stable funding ratio high-quality liquid assets					479,548
16	Business relationship deposits held at other financial institutions	71,727	–	2,044	12,295	49,181
17	Loans and securities	67,503	2,672,650	1,160,308	5,504,720	6,388,110
18	Loans to financial institutions secured by Level 1 assets	–	59,550	354	–	9,042
19	Loans to financial institutions secured by non-Level 1 assets or unsecured	–	661,096	166,786	139,361	321,918
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities.	0	1,784,069	943,403	3,554,308	4,374,511
21	Including: with a risk weight less than or equal to 35%	–	9,706	1,249	55,683	41,672
22	Residential mortgages	–	848	1,018	1,418,881	1,206,982
23	Including: with a risk weight less than or equal to 35%	–	–	–	–	–
24	Securities that are not in default and do not qualify as high-quality liquid assets, including exchange-traded equities	67,503	167,088	48,747	392,169	475,657
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	110,866	81,326	13,026	143,336	277,187
27	Physical traded commodities (including gold)	13,828				11,754
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties				16,850	14,323
29	Net stable funding ratio derivative assets				80,826	10,535
30	Derivative with additional requirements				45,257	9,051
31	All other assets not included in the above	97,039	81,326	13,026	45,660	231,525
32	Off-balance-sheet items				3,938,181	144,362
33	Total required stable funding					7,338,389
34	Net stable funding ratio (%)					113.01

Notes:

1. The “no maturity” bucket mentioned in the table above include, but are not limited to, capital with perpetual maturity, non-maturity (demand) deposits, short positions, open maturity positions, non-high-quality liquid assets equities, and physical traded commodities.
2. The unweighted value of item 30 “Net stable funding ratio derivative liabilities with additional requirements” is the net stable funding ratio derivative liabilities before the deduction of the variation margin, without differentiation of maturity, and not included in the unweighted value of item 26 “Other assets”.

交通銀行
BANK OF COMMUNICATIONS

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