中國銀行
BANK OF CHINA

Bank of China Limited

Stock Code: 3988 (Ordinary H-Share)
4619 (Offshore Preference Share)

2023 Annual Report

The print version of the Bank's 2023 Annual Report, to be published in April 2024, will supersede this version.

Introduction

Bank of China is the bank with the longest continuous operation among Chinese banks. Formally established in February 1912, the Bank served consecutively as the country's central bank, international exchange bank and specialised international trade bank. After 1949, drawing on its long history as the state-designated specialised foreign exchange and trade bank, the Bank became responsible for managing China's foreign exchange operations and offering international trade settlement, overseas fund transfer and other non-trade foreign exchange services. Restructured into a wholly state-owned commercial bank in 1994, the Bank provides various financial services, and has developed into a large commercial bank delivering services in local and foreign currencies and featuring complete business varieties and strong strength. The Bank was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in 2006, becoming the first Chinese bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. The Bank is the official banking partner of the Beijing 2008 Summer Olympics and the Beijing 2022 Winter Olympics, thus making it the only bank in China to serve two Olympic Games. In 2011, Bank of China became the first financial institution from an emerging economy to be designated as a Global Systemically Important Bank, a designation it has now maintained for 13 consecutive years. With its growing international status, competitiveness and comprehensive strengths, the Bank has marched forward into the ranks of the world's large banks. At present, following the guiding principles of the 20th National Congress of the CPC and the Central Financial Work Conference, the Bank takes serving the real economy as its mission, risk prevention and control as its eternal theme, consolidating and expanding globalised advantages and improving global layout ability as its primary task, and improving market competitiveness and serving national strategies as the core key. Proceeding from deepening reform, opening up and innovation, improving governance and operation efficiency, and promoting financial culture with Chinese characteristics, the Bank concentrates on the five major tasks of promoting technology finance, green finance, inclusive finance, pension finance, and digital finance, and contributes to the building of a strong financial powerhouse through practical and earnest practice.

As China's most globalised and integrated bank, Bank of China has institutions across the Chinese mainland as well as 64 countries and regions, and BOCHK and the Macau Branch serve as local note-issuing banks in their respective markets. The Bank has a well-established global service network and an integrated financial service system based on the pillars of its corporate banking, personal banking, financial markets and other commercial banking business, which covers investment banking, direct investment, securities, insurance, funds, aircraft leasing, asset management, financial technology, financing leasing and other areas, thus providing its customers with financial solutions featuring global expertise and all-round services accessible at any point of contact.

Bank of China embodies a noble sense of commitment and responsibility. Since its establishment 112 years ago, the Bank has steadfastly upheld its historic mission of "promoting social welfare and contributing to a prosperous nation". This mission has formed a valuable spiritual legacy that aligns with the financial culture with Chinese characteristics: to remain committed to honesty and trustworthiness, to seek interest without compromising moral principles, to be prudent and cautious in work, to uphold fundamental principles and break new ground, and to be compliant with law and regulations. On the new journey towards building a modern socialist country in all respects, Bank of China will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and faithfully implement the new development philosophy. It will accurately identify the convergence points, focal points, and supporting points for implementing the national policies and plans and achieving its high-quality development. It will serve as the main force in supporting the real economy and as the bedrock for maintaining financial stability. It will unswervingly follow the path of financial development with Chinese characteristics, continue to open new grounds for its high-quality development, and make greater contributions to the comprehensive advancement of building a stronger country and the great cause of national rejuvenation with Chinese modernisation.

Honours and Awards

The Banker	Ranked 4th in Top 1000 World Banks
The Banker, Brand Finance	Ranked 4th in Top 500 Global Banking Brands
FORTUNE	Ranked 49th in Global 500
Global Finance	Outstanding Leadership in Sustainable Finance Asia-Pacific
	Best Private Bank for Entrepreneurs
Asiamoney	Best Bank for ESG in China
The Asian Banker	Best Mega Private Bank in China
The Asset	Triple A Digital Awards – Best Blockchain Project
	Best Custodian, QDII
	Best Renminbi Bank
	Best Bond Adviser – Global, China
IFR Asia	China Bond House
PBOC	Finance Technology Development Award
"Belt and Road" Green Investment Principles (GIP)	Best Innovation Award
General Administration of Sport of China	Collective with Outstanding Contribution to National Ice and Snow Sports Development
China Transaction Banking 50 Forum, *Trade Finance*, Organising Committee of Annual Conference of China Transaction Banking	The 13th "Gold Trade Awards" – Best Cash Management Bank and Best Supply Chain Finance Bank
People.cn	People's Corporate Social Responsibility Award – Green Development
Securities Times	Award for Investor Relation Case of Listed Companies in China
China Securities Journal	Golden Bull for Banking Wealth Management – Golden Bull Award for Green Finance
LACP	Annual Report Competition – Platinum Award
Hurun Research Institute	Ranked 5th in the Most Successful Chinese Heritage Brands

Contents

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meaning set out below:

The Bank/the Group	Bank of China Limited or its predecessors and, except where the context otherwise requires, all of the subsidiaries of Bank of China Limited
Articles of Association	The performing *Articles of Association of the Bank*
A Share	Domestic investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the SSE (Stock Code: 601988)
Basis Point (Bp, Bps)	Measurement unit of changes in interest rate or exchange rate. 1 basis point is equivalent to 0.01 percentage points
BOC Asset Investment	BOC Financial Asset Investment Co., Ltd.
BOC Aviation	BOC Aviation Limited, a public company limited by shares incorporated in Singapore under the Singapore Companies Act, the shares of which are listed on the Hong Kong Stock Exchange
BOC Consumer Finance	Bank of China Consumer Finance Co., Ltd.
BOC Financial Technology	BOC Financial Technology Co., Ltd.
BOC Fullerton Community Bank	BOC Fullerton Community Bank Co., Ltd.
BOC Insurance	Bank of China Insurance Company Limited
BOC Life	BOC Group Life Assurance Co., Ltd.
BOCG Insurance	Bank of China Group Insurance Company Limited
BOCG Investment	Bank of China Group Investment Limited
BOCHK	Bank of China (Hong Kong) Limited, an authorised financial institution incorporated under the laws of Hong Kong SAR and a wholly-owned subsidiary of BOCHK (Holdings)

BOCHK (Holdings)	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong SAR, the ordinary shares of which are listed on the Hong Kong Stock Exchange
BOCI	BOC International Holdings Limited
BOCIM	Bank of China Investment Management Co., Ltd.
BOCI China	BOC International (China) Co., Ltd., a company incorporated in the Chinese mainland, the ordinary shares of which are listed on the SSE
BOCL	BOC Financial Leasing Co., Ltd.
BOC-Samsung Life	BOC-Samsung Life Ins. Co., Ltd.
BOC Wealth Management	BOC Wealth Management Co., Ltd.
CAS	Chinese Accounting Standards for Business Enterprises
Central and Southern China	The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan
Company Law	The *Company Law of PRC*
CSRC	China Securities Regulatory Commission
Eastern China	The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi, Shandong and Qingdao
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	The *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

H Share	Overseas-listed foreign investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 3988)
Huijin	Central Huijin Investment Ltd.
IFRS Accounting Standards	International Financial Reporting Standards as issued by the IASB
Independent Director	Independent director under the listing rules of the SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules
MOF	Ministry of Finance, PRC
NFRA	National Financial Regulatory Administration and its predecessors
Northeastern China	The area including, for the purpose of this report, the branches of Heilongjiang, Jilin, Liaoning and Dalian
Northern China	The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office
PBOC	The People's Bank of China
PRC	The People's Republic of China
RMB	Renminbi, the lawful currency of PRC
SAFE	State Administration of Foreign Exchange, PRC
SFO	*Securities and Futures Ordinance* (Chapter 571 of the Laws of Hong Kong SAR)
SSE	The Shanghai Stock Exchange
Western China	The area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank warrant that the information in this report is authentic, accurate and complete, contains no false record, misleading statement or material omission, and jointly and severally accept full responsibility for the information in this report.

The 2023 Annual Report and Annual Results Announcement of the Bank have been approved by the Board of Directors of the Bank on 28 March 2024. The number of directors who should attend the meeting is 14, with 14 directors attending the meeting in person. All of the 14 directors of the Bank exercised their voting rights at the meeting. The supervisors and senior management members of the Bank attended the meeting as non-voting attendees.

The 2023 financial statements prepared by the Bank in accordance with CAS and IFRS Accounting Standards have been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with Chinese and international auditing standards respectively. Both auditors issued an unqualified opinion.

Legal Representative and Chairman GE Haijiao, Executive Vice President ZHANG Yi, who is also responsible for the Bank's finance and accounting, and General Manager of the Financial Management Department DONG Zonglin, warrant the authenticity, accuracy and completeness of the financial statements in this report.

The Board of Directors has recommended a final dividend on ordinary shares for 2023 of RMB2.364 per 10 shares (before tax), subject to approval in the forthcoming 2023 Annual General Meeting. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

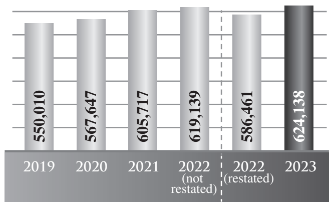
During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that has violated the applicable regulations and procedures.

This report may contain forward-looking statements that involve risks and future plans. These forward-looking statements are based on the Bank's own information and information from other sources that the Bank believes to be reliable. They relate to future events or the Bank's future financial, business or other performance and are subject to a number of factors and uncertainties that may cause the actual results to differ materially. Any future plans mentioned do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.

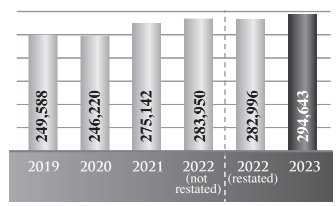
The Bank is faced with risks arising from changes in the macroeconomic environment and from political and economic conditions in different countries and regions as well as risks arising from its day-to-day operations, including the risk arising from changes in the credit status of borrowers, adverse changes in market prices and operational risk. It shall at the same time meet regulatory and compliance requirements. The Bank actively adopts adequate measures to effectively manage all types of risks. Please refer to the section "Management Discussion and Analysis – Risk Management" for details.

Financial Highlights

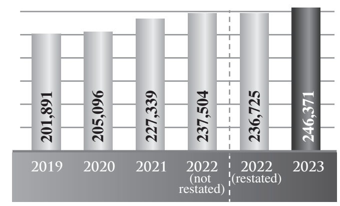
Operating income
RMB Million



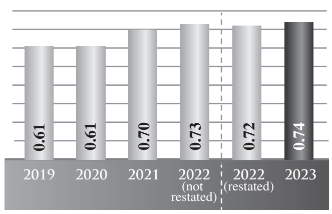
Operating profit
RMB Million



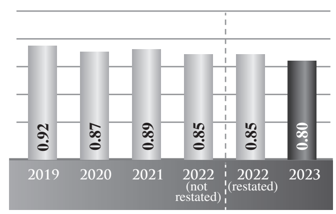
Profit for the year
RMB Million



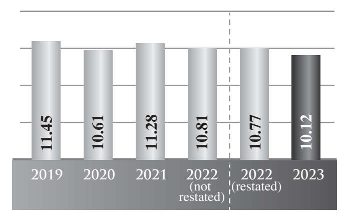
EPS (basic)
RMB



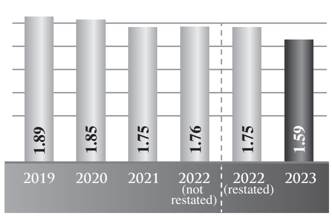
ROA
%



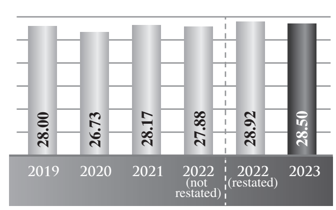
ROE
%



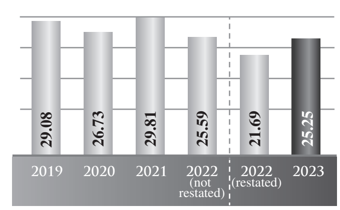
Net interest margin
%



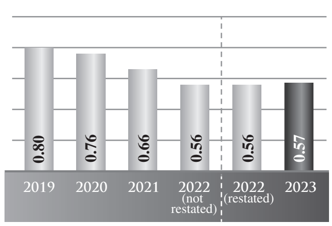
Cost to income ratio (calculated under regulations in the Chinese mainland)
%



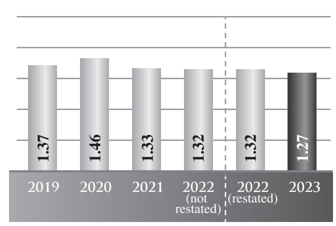
Non-interest income to operating income
%



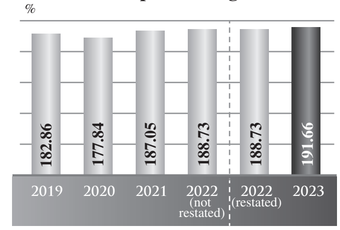
Credit cost
%



Non-performing loans to total loans
%



Allowance for loan impairment losses to non-performing loans
%



Note: The financial information in this report has been prepared in accordance with IFRS Accounting Standards. The data are presented in RMB and reflect amounts related to the Group, unless otherwise noted.

Unit: RMB million

	Note	2023	2022 (after restatement)	2022 (before restatement)	2021	2020	2019
Results of operations							
Net interest income		**466,545**	459,266	460,678	425,142	415,918	390,050
Non-interest income	2	**157,593**	127,195	158,461	180,575	151,729	159,960
Operating income		**624,138**	586,461	619,139	605,717	567,647	550,010
Operating expenses		**(222,933)**	(199,506)	(231,196)	(226,355)	(202,411)	(198,269)
Impairment losses on assets	3	**(106,562)**	(103,959)	(103,993)	(104,220)	(119,016)	(102,153)
Operating profit		**294,643**	282,996	283,950	275,142	246,220	249,588
Profit before income tax		**295,608**	283,641	284,595	276,620	246,378	250,645
Profit for the year		**246,371**	236,725	237,504	227,339	205,096	201,891
Profit attributable to equity holders of the Bank		**231,904**	226,522	227,439	216,559	192,870	187,405
Total dividend of ordinary shares		**N.A.**	68,298	68,298	65,060	57,994	56,228
Financial position							
Total assets		**32,432,166**	28,893,548	28,913,857	26,722,408	24,402,659	22,769,744
Loans, gross		**19,961,779**	17,552,761	17,554,322	15,712,574	14,216,477	13,068,785
Allowance for loan impairment losses	4	**(485,298)**	(437,241)	(437,241)	(390,541)	(368,619)	(325,923)
Investments	5	**7,158,717**	6,435,244	6,445,743	6,164,671	5,591,117	5,514,062
Total liabilities		**29,675,351**	26,330,247	26,346,286	24,371,855	22,239,822	20,793,048
Due to customers		**22,907,050**	20,201,825	20,201,825	18,142,887	16,879,171	15,817,548
Capital and reserves attributable to equity holders of the Bank		**2,629,510**	2,423,973	2,427,589	2,225,153	2,038,419	1,851,701
Share capital		**294,388**	294,388	294,388	294,388	294,388	294,388
Per share							
Basic earnings per share (RMB)		**0.74**	0.72	0.73	0.70	0.61	0.61
Dividend per share (before tax, RMB)	6	**0.2364**	0.232	0.232	0.221	0.197	0.191
Net assets per share (RMB)	7	**7.58**	6.98	6.99	6.47	5.98	5.61
Key financial ratios							
Return on average total assets (%)	8	**0.80**	0.85	0.85	0.89	0.87	0.92
Return on average equity (%)	9	**10.12**	10.77	10.81	11.28	10.61	11.45
Net interest margin (%)	10	**1.59**	1.75	1.76	1.75	1.85	1.89
Non-interest income to operating income (%)	11	**25.25**	21.69	25.59	29.81	26.73	29.08
Cost to income ratio (calculated under regulations in the Chinese mainland, %)	12	**28.50**	28.92	27.88	28.17	26.73	28.00
Capital ratios	13						
Net common equity tier 1 capital		**2,161,825**	1,991,342	1,991,342	1,843,886	1,704,778	1,596,378
Net additional tier 1 capital		**408,447**	381,648	381,648	329,845	287,843	210,057
Net tier 2 capital		**727,136**	573,481	573,481	525,108	458,434	394,843
Common equity tier 1 capital adequacy ratio (%)		**11.63**	11.84	11.84	11.30	11.28	11.30
Tier 1 capital adequacy ratio (%)		**13.83**	14.11	14.11	13.32	13.19	12.79
Capital adequacy ratio (%)		**17.74**	17.52	17.52	16.53	16.22	15.59
Asset quality							
Credit-impaired loans to total loans (%)	14	**1.27**	1.32	1.32	1.33	1.46	1.37
Non-performing loans to total loans (%)	15	**1.27**	1.32	1.32	1.33	1.46	1.37
Allowance for loan impairment losses to non-performing loans (%)	16	**191.66**	188.73	188.73	187.05	177.84	182.86
Credit cost (%)	17	**0.57**	0.56	0.56	0.66	0.76	0.80
Allowance for loan impairment losses to total loans (%)	18	**2.44**	2.50	2.50	2.49	2.60	2.50
Exchange rate							
USD/RMB year-end central parity rate		**7.0827**	6.9646	6.9646	6.3757	6.5249	6.9762
EUR/RMB year-end central parity rate		**7.8592**	7.4229	7.4229	7.2197	8.0250	7.8155
HKD/RMB year-end central parity rate		**0.9062**	0.8933	0.8933	0.8176	0.8416	0.8958

Notes:

1 The Group has adopted International Financial Reporting Standard No.17 Insurance Contracts ("IFRS 17") as issued by the International Accounting Standards Board ("IASB") with the initial application date 1 January 2023, which resulted in the restatement of the comparative figures for the previous period starting from 1 January 2022 in accordance with the transitional provisions of IFRS 17. In this report, the figures starting from 1 January 2022 have been restated. There is no restatement for other previous comparative figures.

2 Non-interest income = net fee and commission income + net trading gains/(losses) + net gains/(losses) on transfers of financial assets + other operating income.

3 Impairment losses on assets = Credit impairment losses + Impairment losses on other assets.

4 Allowance for loan impairment losses = allowance for loans at amortised cost + allowance for loans at fair value through other comprehensive income.

5 The investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

6 Dividend per share is the dividend per ordinary share distributed to ordinary shareholders.

7 Net assets per share = (capital and reserves attributable to equity holders of the Bank at year-end – other equity instruments) ÷ number of ordinary shares in issue at year-end.

8 Return on average total assets = profit for the year ÷ average total assets × 100%. Average total assets = (total assets at the beginning of the year + total assets at year-end) ÷ 2.

9 Return on average equity = profit attributable to ordinary shareholders of the Bank ÷ weighted average capital and reserves attributable to ordinary shareholders of the Bank × 100%. Calculation is based on *No. 9 Preparation and Reporting Rules of Information Disclosure of Public Offering Companies – Calculation and Disclosure of Return on Average Equity and Earnings per Share (Revised in 2010)* (CSRC Announcement [2010] No. 2) issued by the CSRC.

10 Net interest margin = net interest income ÷ average balance of interest-earning assets × 100%. Average balance is average daily balance derived from the Group's management accounts (unaudited).

11 Non-interest income to operating income = non-interest income ÷ operating income × 100%.

12 Cost to income ratio is calculated in accordance with the *Measures of the Performance Evaluation of Financial Enterprises* (Cai Jin [2016] No. 35) formulated by the MOF.

13 The capital ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* (Y.J.H.L. [2012] No. 1) and related regulations, under the Advanced Approaches.

14 Credit-impaired loans to total loans = credit-impaired loans at year-end ÷ total loans at year-end × 100%. Total loans are exclusive of accrued interest when being used to calculate credit-impaired loans to total loans.

15 Non-performing loans to total loans = non-performing loans at year-end ÷ total loans at year-end ×100%. Total loans are exclusive of accrued interest when being used to calculate non-performing loans to total loans.

16 Allowance for loan impairment losses to non-performing loans = allowance for loan impairment losses at year-end ÷ non-performing loans at year-end × 100%. Total loans are exclusive of accrued interest when being used to calculate allowance for loan impairment losses to non-performing loans.

17 Credit cost = impairment losses on loans ÷ average balance of loans × 100%. Average balance of loans = (balance of loans at the beginning of the year + balance of loans at year-end) ÷ 2. Total loans are exclusive of accrued interest when being used to calculate credit cost.

18 Allowance for loan impairment losses to total loans = allowance for loan impairment losses at year-end ÷ total loans at year-end × 100%. Total loans are exclusive of accrued interest when being used to calculate allowance for loan impairment losses to total loans.

Corporate Information

Registered Name in Chinese
中國銀行股份有限公司("中國銀行")

Registered Name in English
BANK OF CHINA LIMITED
("Bank of China")

Legal Representative and Chairman
GE Haijiao

Vice Chairman and President
LIU Jin

Secretary to the Board of Directors and Company Secretary
ZHUO Chengwen
Office Address:
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China
Telephone: (86) 10-6659 2638
E-mail: ir@bankofchina.com

Listing Affairs Representative
JIANG Zhuo
Office Address:
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China
Telephone: (86) 10-6659 2638
E-mail: ir@bankofchina.com

Registered Address
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China

Office Address
No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China, 100818
Telephone: (86) 10-6659 6688
Facsimile: (86) 10-6601 6871
Website: www.boc.cn
Customer Service and Complaint Hotline:
(86) Area Code-95566

Place of Business in Hong Kong SAR
Bank of China Tower, 1 Garden Road, Central, Hong Kong, China

Selected Newspapers for Information Disclosure (A Share)
China Securities Journal, Shanghai Securities News, Securities Times, Economic Information Daily

Website of the SSE for Publication of the Annual Report
www.sse.com.cn

Website of the HKEX for Publication of the Annual Report
www.hkexnews.hk

Place Where Annual Report Can Be Obtained
Head Office of Bank of China Limited
Shanghai Stock Exchange

Legal Advisor
King & Wood Mallesons
Linklaters

Auditors

Domestic Auditor

PricewaterhouseCoopers Zhong Tian LLP
Office Address:
11/F PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai, China
Certified Public Accountants who signed the auditor's report:
Ms. HO Shuk Ching Margarita, Mr. WANG Wei, Mr. LI Dan

International Auditor

PricewaterhouseCoopers
Office Address:
22/F, Prince's Building, Central, Hong Kong, China

Unified Social Credit Code

911000001000013428

Financial Institution Licence Serial Number

B0003H111000001

Registered Capital

RMB294,387,791,241

Securities Information

A Share

Shanghai Stock Exchange
Stock Name: 中國銀行
Stock Code: 601988

H Share

The Stock Exchange of Hong Kong Limited
Stock Name: Bank of China
Stock Code: 3988

Domestic Preference Share

Shanghai Stock Exchange
Third Tranche
Stock Name: 中行優3
Stock Code: 360033

Fourth Tranche
Stock Name: 中行優4
Stock Code: 360035

Offshore Preference Share Second Tranche

The Stock Exchange of Hong Kong Limited
Stock Name: BOC 20USDPREF
Stock Code: 4619

Message from the Chairman

Seasons flowing, we keep forging ahead. 2023 was the first year to fully implement the guiding principles of the 20th National Congress of the Communist Party of China (CPC). Bank of China, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, resolutely carried out strategies and plans of the CPC Central Committee and the State Council. We fully and faithfully embraced the new development philosophy on all fronts and actively provided high-quality financial services to support economic and social development. The Group's overall business performance and corporate management are stable and improving, with continuous advancements in operational efficiency, composite strength and market competitiveness, leading to sound results.

As at the end of 2023, the Group's assets and liabilities totalled RMB32.43 trillion and RMB29.68 trillion respectively, an increase of 12.25% and 12.70% from the prior year-end; operating income stood at RMB624.138 billion, up by 6.42%; the non-performing loan ratio was 1.27%, a decrease of 0.05 percentage points; and the capital adequacy ratio was 17.74%, an increase of 0.22 percentage points. The Board of Directors has proposed a cash dividend of RMB2.364 per 10 ordinary shares, representing a dividend payout ratio of 30%.

We optimised supply of financial services and contributed to the high-quality development of the real economy. We increased support for major national strategies, and the key and under-served areas of the economy, achieving a growth of RMB2.4 trillion in the balance of RMB loans as well as optimisation in the structure. To facilitate the formation of a modern industrial system and promote major technological breakthroughs, we granted credit lines of nearly RMB1.5 trillion to around 68,000 tech enterprises, boosting the virtuous cycle of "research – industry – financing". We implemented concrete measures to actively address the concerns of private enterprises, and formulated an action plan to support them to "Go Global"; the balance of loans to private enterprises increased by RMB790 billion, representing a growth of over 27%. We accelerated the digital transformation of loans to micro and small businesses and expanded the outreach of our inclusive finance business, growing the balance of inclusive loans to over RMB1.7 trillion, up by over 40%. In response to climate change, we actively participated in global green governance. We integrated green standards into our daily operations, enhanced the "BOC Green+" brand, and led the industry in green bond underwriting deals.

We strengthened our advantages in globalisation and supported higher-standard opening up. We opened Riyadh Branch in Saudi Arabia and a representative office in Papua New Guinea in the year, expanding our global service network to cover 64 countries and regions outside the Chinese mainland. With a focus on improving the market competitiveness of our overseas institutions, we consolidated our business advantages in Hong Kong and Macao, and overseas institutions increased their contribution to the Group's overall profits. We were designated as the RMB clearing bank in Cambodia and in Serbia, and continued to lead the market in cross-border RMB clearing and settlement volumes as well as in domestic savings and lending in foreign currencies. We took initiative to facilitate the positive interplay between domestic and international economic flows, and supported major national events like the China International Import Expo, the China International Consumer Products Expo, and China International Fair for Trade in Services in attracting global participants. Contributing to the stability and structural optimisation of China's foreign trade, we innovated financial services for new business trends including the export of electric vehicles, lithium batteries and solar cells, cross-border e-commerce, and overseas warehouses, which brought the Group's international settlement volume for the year to around USD8 trillion. We also accelerated facilitation of payments for international travelers to China, helped clear up payment service bottlenecks, and expanded our lead in overseas bank card acquiring business in China.

We've remained dedicated to customer-centric principles and consistently improved service quality and efficiency. To meet people's aspiration for a better life, we took solid steps in product innovation, process optimisation and consumer rights protection. We expanded offerings of wealth management products and ensured product safety, profitability, and liquidity; allowing us to take the total financial assets of personal clients under our management to over RMB14 trillion. We lowered interest rates on existing mortgages for first-time home buyers, benefiting loans exceeding RMB2.5 trillion. We supported growth of household spending, with special focuses on large purchases like new energy vehicles and electronics, leading to a nearly 45% increase in the balance of non-housing consumer loans. We introduced new service schemes for "migratory pensioners" and continued to adapt our outlets and online channels to accommodate the needs of elderly customers, ensuring smooth delivery of pension financial services. We continuously increased credit support to agriculture-related fields, innovating product models tailored to local conditions, making financial services more accessible to farmers, and actively contributing to rural revitalisation and the modernisation of agriculture and rural areas.

We balanced security and development, and effectively prevented and defused financial risks. With a focus on eliminating and controlling risks at source, we continued to enhance our enterprise risk management system, incorporating outsourcing risk and data security risk into the system to reinforce effective identification and control of non-traditional risks. We established a dynamic risk identification mechanism and carried out comprehensive risk inspections across the Group. We conducted stress tests on multiple key areas and developed contingency plans, completing the full cycle of risk assessment, investigation, and emergency responses. We sped up improving the intelligent risk control system and advanced the development of the Group's unified risk dashboard, making our risk management more effective and forward-looking. We bolstered overseas risk management, formulating market-specific risk strategies for overseas institutions and putting in place a 24/7 global monitoring mechanism to respond to fluctuations in financial markets worldwide. In the domestic market, we also applied a city-by-city approach to optimise our credit structure in real estate and meet reasonable financing needs of developers, both state-owned and from the private sector, contributing to the steady and healthy development of the property market.

We pushed ahead with reform and innovation, and continued to elevate the efficiency of corporate governance. Actively adapting to the evolving era and the demands of high-quality development, we optimised the corporate governance system, revised our Articles of Association, refined rules and procedures for the shareholders' meeting and the Board meeting, making corporate governance more standardised and professional. With a view to serving national interests and enhancing market competitiveness, we systematically reformed and enhanced our performance appraisal system, effectively driving business expansion and improvements in structure and quality. We made new progress with the building of an enterprise-level architecture and rolled out optimisation plans to technology systems on schedule, steadily advancing the digital transformation of the Group's operations and management. We strengthened process management for priority areas and full-cycle post-assessment, and fostered a culture of integrity, practicality and accountability. We enhanced synergy between branches and institutions by establishing mechanisms to ensure access to the Bank's global resources and services accessible at any point of contact and to promote collaboration between non-banking arms. We also made constant improvements to governance at non-banking subsidiaries and witnessed significant performance rebound in return.

The Central Financial Work Conference has sounded a clarion call to accelerate efforts to build China into a global leader in the financial sector, endowing financial institutions with clearer responsibilities and mission. This represents a rare opportunity for Bank of China to leverage its distinctive advantages and expedite its high-quality development. With unwavering confidence, determined efforts, united spirits, and ownership, we pledge to act faster, and take more substantial and effective measures to contribute to China's modernisation. **First, we will effectively implement the decisions and plans of the CPC Central Committee.** We will adhere to the centralised and unified leadership of the CPC Central Committee over financial work, faithfully implement the strategies of the CPC Central Committee and the State Council in our reform and development, operation and management, risk prevention and control, and drive the Bank's high-quality development. **Second, we will play a key role in serving the real economy.** We will build a diversified and specialised line-up of products and services with a focus on the five major tasks – technology finance, green finance, inclusive finance, pension finance and digital finance, to accelerate the development of new quality productive forces and effectively enhance our competitiveness and service capabilities. **Third, we will take the lead in serving the new development pattern featuring the positive interplay between domestic and international economic flows.** With a focus on enhancing our global capabilities and international competitiveness, and improving our globalised product service capability and resource allocation efficiency, we will provide our customers committed to "Going Global" and "Bringing In" with a package of financial services, and strive to play an even more important role worldwide. **Fourth, we will serve as an anchor for financial stability.** Applying a systemic approach, we will navigate through the balance between power and responsibility, between efficiency and stability, and between prevention and reaction. We will ensure full compliance with regulatory requirements, safeguard financial safety, and foster a virtuous cycle of high-quality development and high-standard security. **Fifth, we will take proactive and effective actions in strengthening our bank as a large state-owned financial institution.** Guided by financial culture with Chinese characteristics, we will improve our customer-oriented operating system, achieve pragmatic and efficient closed-loop execution, lay solid foundations for the Group's digital transformation, and foster stronger synergy for development.

Building on the great progress we've made in the past year, we will aim for new heights in 2024. Following the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will continue to seek progress while maintaining stability and promote stability through progress, to foster steady innovations and breakthroughs. We will push ahead with transforming the growth model, making structural adjustments, improving quality and enhancing performance, and deliver stronger results in return for the trust and support from our shareholders and society, paving the way for a new era of high-quality development for Bank of China.

GE Haijiao
Chairman
28 March 2024

Message from the President

In 2023, Bank of China earnestly implemented the decisions and plans of the CPC Central Committee and the State Council, improved operation and management on all fronts, and continued to build up market competitiveness while serving the bigger picture of social and economic development. We expanded the Group's assets, liabilities and operating income further; delivered on targets for all key indicators as set by the Board of Directors; and made progress while ensuring stability in performance.

We recorded a more robust financial performance with continued growth in assets and liabilities. The Group steadily improved its overall strength, grew its total assets and liabilities by RMB3.54 trillion and RMB3.35 trillion, respectively, from the end of 2022. We continued to optimise the structure of our assets and liabilities and secure our funding sources, with the deposits-to-liabilities ratio rising by 0.47 percentage points. Operating income reached a new high of RMB620 billion. Net interest income increased steadily. Non-interest income exceeded RMB150 billion, up by 3.56 percentage points as a share of total income. We allocated more resources towards key products, key areas and key regions, and improved the costs and expenditures structure. Our cost-to-income ratio stood at 28.50%, down 0.42 percentage points.

We registered rapid growth in main business areas, and delivered better and more effective services to the real economy. We optimised our capital structure, worked hard to develop more diverse, inclusive and accessible products and services, and channelled more financial resources to serve technological innovation, advanced manufacturing, green development and micro, small and medium-sized enterprises. The balance of strategic emerging industry loans, loans granted to manufacturing industries, and technology finance loans increased by 74.35%, 28.05% and 30.94%, respectively. And we granted credit lines to more than 15 thousand national and provincial-level "specialised and sophisticated enterprises that produce new and innovative products". We moved faster to build us into "the preferred bank for green financial services". Our domestic green credit grew by more than RMB1.1 trillion in 2023, an increase of 56.34% year-on-year. We continued to support people's livelihood and employment through the Bring Jobs to Families campaign, and issued over RMB270 billion special loans to self-employed individuals, new urban residents, and other types of market participants. We served over 18,200 corporate annuity clients, and the pension fiduciary assets under our custody increased by about 23.29% year-on-year. We further improved mobile banking functions and grew the number of monthly active users to nearly 90 million. The number of e-CNY partner merchants and e-CNY transaction size increased rapidly, and application scenarios of e-CNY continued to be expanded.

We sharpened our edge in globalised and diversified operations, and enhanced synergy among different business lines. Operating income and after-tax profit from overseas operations rose significantly year-on-year, respectively. BOCHK and Bank of China (Europe) S.A. continued to refine their management of the branches and subsidiaries in Southeast Asian and the EU markets, respectively. The mechanism for regional synergistic development has been carried out in Latin America, South Asia and South Pacific as planned. And we fully leveraged business opportunities in cross-border trade and investment, acted faster to build a global team of relationship managers, and further enhanced the competitiveness of our cross-border investment and financing products. We further consolidated our market leadership in Panda bonds, offshore bonds issued by Chinese entities, and cross-border custody. Focusing on synergy within the Group, risk control, business sustainability, and market competitiveness, we continued to enhance our comprehensive service and collaborative marketing capabilities. Our non-banking subsidiaries' contribution to the Group's total profits increased over the previous year.

We continued to improve risk management and control mechanism and consolidate the foundation for stable and prudent operations. The Group maintained stability in both asset quality and key risk indicators. Market risks were well managed and under control. We bolstered our cushion against risks; the Group's non-performing loan coverage ratio rose by 2.93 percentage points, to 191.66%. We intensified efforts in the disposal of non-performing assets. By implementing targeted strategies for different types of assets, we achieved major breakthroughs and enhanced both our efficiency and capacity for recovering and resolving NPLs. We improved the management mechanism for operational and derivative risks, optimised internal control policies and processes, strengthened risk management in the fields of data, public opinion, safety of operation, and business continuity, and strictly prevented risk spill-over and contagion. In response to changing market conditions, the Group carefully managed funding sources and usage of local and foreign currencies to ensure sufficient liquidity. We also enhanced our capabilities to prevent digital risks across all online channels and effectively ensured the safe operation of systems.

The year of 2024 marks the 75th anniversary of the founding of the People's Republic of China and represents a pivotal moment for achieving the goals and tasks set forth in the 14th Five-Year Plan. Together with the Senior Management, I will continuously improve our operational and management, and strive to faithfully implement the decisions and plans of the CPC Central Committee and the State Council through concrete actions. **First, we will vigorously develop technology finance, green finance, inclusive finance, pension finance and digital finance.** We will tailor new financial services to the needs of tech enterprises, support the transition to green development models, further improve the quality and efficiency of inclusive financial services, accelerate developing pension finance, and quicken the pace of digital transformation. **Second, we will actively support the expansion of effective demand.** We will boost growth of consumption and investment, support the building of a modern industrial system, provide high-quality services to the national strategy of coordinated regional development, and play an active part in stabilizing foreign trade and investment. **Third, we will serve the high-level two-way opening up of the financial sector,** accelerate the high-quality development of our overseas institutions, enhance connectivity between domestic and overseas financial markets, and promote RMB internationalisation in a solid and prudent manner. **Fourth, we will continue to enhance our fundamental work,** refine management of capital, optimise deposit structure, and upgrade our credit supply with targeted efforts. We will accelerate our efforts to build a larger and higher-quality customer base, and further refine our collaboration mechanism. **Fifth, we will improve our Enterprise Risk Management system,** enhance the quality and efficiency of the management of traditional risks, proactively prevent non-traditional risks, pursue high-quality implementation of regulatory requirements, and make every effort to maintain financial stability.

The blueprint has been drawn, and it is time to turn it into reality. We will forge ahead with greater confidence, deliver outstanding performance in return for the trust and support of our customers, investors and all sectors of society, earnestly fulfil our economic and social responsibilities, and make greater contributions to the modernisation and rejuvenation of the Chinese nation.

LIU Jin
President
28 March 2024

Management Discussion and Analysis

FINANCIAL REVIEW

Economic and Financial Environment

In 2023, the global economy maintained a certain level of resilience, but exhibited a weak recovery. The global economic environment became increasingly complex, severe and uncertain.

The pace of interest rate hikes in major developed economies slowed down. Overall inflation pressure alleviated, but with strong stickiness. Economic divergence across regions widened. The US economy maintained overall stability, European economies remained mostly stagnant, and emerging economies gradually stabilised. Global financial markets experienced significant volatility, the US dollar index fluctuated downwards, and capital reshoring to the US decelerated. The US treasury market became more volatile, and some economies experienced heightened debt risk.

China's economy sustained its recovery, with consistent improvements in supply and demand, positive advances in economic transformation and upgrading, stable employment and commodity prices, effective protection of people's livelihood, and solid progress in high-quality development. In 2023, China's gross domestic product (GDP) grew by 5.2% year-on-year; total retail sales of consumer goods (TRSCG) increased by 7.2% year-on-year; the value-added of industrial enterprises above a designated size expanded by 4.6% year-on-year; total fixed asset investment (TFAI) (excluding those by rural households) rose by 3.0% year-on-year; total exports climbed by 0.2%, with a trade surplus of RMB5.79 trillion, and the consumer price index (CPI) increased by 0.2% year-on-year.

China implemented a sound monetary policy in a targeted and effective manner and strengthened the counter-cyclical and inter-temporal adjustments. Money and credit as well as aggregate financing to the real economy (AFRE) witnessed reasonable growth; comprehensive financing costs fell steadily; the credit structure was further optimised, and RMB exchange rates maintained basic stability at an adaptive and equilibrium level. Overall, it created a favorable monetary and financial environment for the economic recovery and improvement. As at the end of 2023, the outstanding broad money supply (M2) was RMB292.3 trillion, up 9.7% year-on-year. The balance of RMB loans reached RMB237.6 trillion, an increase of 10.6% year-on-year. Outstanding aggregate financing to the real economy (AFRE) was RMB378.1 trillion, up 9.5% year-on-year. The SSE Composite Index stood at 2,974.93 points, dipping 3.7% from the end of the prior year. The central parity of the RMB against the US dollar was 7.0827, a depreciation of 1.7% compared with the prior year-end.

China's banking sector firmly supported the national strategy, pressed ahead with supply-side structural reforms, supported high-level opening up and comprehensively enhanced the adaptability and effectiveness of its services to the real economy. It focused on stabilising the overall macroeconomy, assisted in leveraging the fundamental role of consumption and the critical role of investment, and increased financial support for key areas and weak links in the economy. The sector consistently emphasised risk prevention and control in its financial work, and held the red line of forestalling systemic financial risk by keeping major risk indicators within a reasonable range and strengthening risk resistance. As at the end of 2023, the total assets of China's banking sector grew by 9.9% from the prior year-end to RMB417.3 trillion, while total liabilities increased by 10.1% to RMB383.1 trillion. Commercial banking institutions recorded a net profit of RMB2.4 trillion, a year-on-year increase of 3.2%. Outstanding non-performing loans (NPLs) stood at RMB3.2 trillion as at the end of the year, with a NPL ratio of 1.59%. The allowance for loan impairment losses to non-performing loans was 205.1%, and the capital adequacy ratio was 15.1%.

Income Statement Analysis

Closely adhering to the requirements of the Group's 14th Five-Year Plan, the Bank persevered in advancing the growth of business scale and the enhancement of structural quality. It demonstrated noticeable achievement in serving the real economy, increased contributions from its globalised and comprehensive operation, and effectively strengthened its prudent operational capabilities, resulting in stable and positive progress in operational performance. In 2023, the Group achieved a profit for the year of RMB246.371 billion, an increase of RMB9.646 billion or 4.07% compared with the prior year. It realised a profit attributable to equity holders of the Bank of RMB231.904 billion, an increase of RMB5.382 billion or 2.38% compared with the prior year. Return on average total assets (ROA) was 0.80% and return on average equity (ROE) was 10.12%.

The principal components and changes of the Group's consolidated income statement are set out below:

Unit: RMB million, except percentages

Items	**2023**	2022	Change	Change (%)
Net interest income	**466,545**	459,266	7,279	1.58%
Non-interest income	**157,593**	127,195	30,398	23.90%
Including: net fee and commission income	**78,865**	74,890	3,975	5.31%
Operating income	**624,138**	586,461	37,677	6.42%
Operating expenses	**(222,933)**	(199,506)	(23,427)	11.74%
Impairment losses on assets	**(106,562)**	(103,959)	(2,603)	2.50%
Operating profit	**294,643**	282,996	11,647	4.12%
Profit before income tax	**295,608**	283,641	11,967	4.22%
Income tax expense	**(49,237)**	(46,916)	(2,321)	4.95%
Profit for the year	**246,371**	236,725	9,646	4.07%
Profit attributable to equity holders of the Bank	**231,904**	226,522	5,382	2.38%

A detailed review of the Group's principal items in each quarter of 2023 is summarised in the following table:

Unit: RMB million

Items	For the three-month period ended 31 December 2023	30 September 2023	30 June 2023	31 March 2023
Operating income	153,206	151,225	153,490	166,217
Profit attributable to equity holders of the Bank	57,046	54,763	62,432	57,663
Net cash inflow/(outflow) from operating activities	330,287	(149,123)	146,523	488,759

Net Interest Income and Net Interest Margin

In 2023, the Group achieved net interest income of RMB466.545 billion, an increase of RMB7.279 billion or 1.58% compared with the prior year. Specifically, interest income stood at RMB1,048.851 billion, an increase of RMB168.003 billion or 19.07% compared with the prior year, and interest expense stood at RMB582.306 billion, an increase of RMB160.724 billion or 38.12% compared with the prior year.

Interest Income

In 2023, interest income on loans was RMB750.601 billion, an increase of RMB97.946 billion or 15.01% compared with the prior year, which was primarily attributable to an increase in loan scale.

Interest income on investments amounted to RMB192.293 billion, an increase of RMB27.690 billion or 16.82% compared with the prior year, mainly due to an increase in investment scale and rising interest rates.

Interest income on balances with central banks and due from and placements with banks and other financial institutions was RMB105.957 billion, an increase of RMB42.367 billion or 66.63% compared with the prior year, mainly due to the increase in interest rates.

Interest Expense

In 2023, interest expense on due to customers was RMB450.851 billion, an increase of RMB138.928 billion or 44.54% compared with the prior year, principally due to increase in the scale and the interest rate of deposits.

Interest expense on due to and placements from banks and other financial institutions was RMB85.678 billion, an increase of RMB20.300 billion or 31.05% compared with the prior year, which was primarily attributable to the increase in interest rates.

Interest expense on bonds issued was RMB45.777 billion, an increase of RMB1.496 billion or 3.38% compared with the prior year, which was mainly attributable to an increase in the scale of bonds issued.

Net Interest Margin

In 2023, the Group's net interest margin was 1.59%, representing a decrease of 16 basis points from the prior year. Faced with a reduction in RMB loan yields driven by a drop in the RMB Loan Prime Rate (LPR) and adjustments to existing mortgage loan rates, the Bank strengthened proactive management and thus minimise the decline in net interest margin. First, the Bank adhered to the development strategy of striking balance between volume growth and price control, and optimised the structure of its RMB assets and liabilities. The proportion of deposits and loans increased in its interest-bearing liabilities and interest-bearing assets, with the proportion of the average balance of RMB medium and long-term loans within its total RMB loans in the Chinese mainland being 74.14%. Second, the Bank improved the net interest margin of its foreign currency assets and liabilities by capitalising on the timing of US Federal Reserve rate hikes and leveraging its foreign currency business capabilities.

The average balances[1] and average interest rates of the major interest-earning assets and interest-bearing liabilities of the Group, as well as the impact on interest income/expense of variances in the volume factor and the interest rate factor[2], are summarised in the following table:

Unit: RMB million, except percentages

Items	2023 Average balance	2023 Interest income/ expense	2023 Average interest rate	2022 Average balance	2022 Interest income/ expense	2022 Average interest rate	Analysis of changes in interest income/expense: Volume factor	Interest rate factor	Total
Interest-earning assets									
Loans	**18,924,693**	**750,601**	**3.97%**	16,748,644	652,655	3.90%	84,866	13,080	97,946
Investments	**6,083,691**	**192,293**	**3.16%**	5,576,816	164,603	2.95%	14,953	12,737	27,690
Balances with central banks and due from and placements with banks and other financial institutions	**4,258,069**	**105,957**	**2.49%**	3,878,780	63,590	1.64%	6,220	36,147	42,367
Total	**29,266,453**	**1,048,851**	**3.58%**	26,204,240	880,848	3.36%	106,039	61,964	168,003
Interest-bearing liabilities									
Due to customers	**21,551,296**	**450,851**	**2.09%**	18,854,117	311,923	1.65%	44,503	94,425	138,928
Due to and placements from banks and other financial institutions	**3,644,179**	**85,678**	**2.35%**	3,831,831	65,378	1.71%	(3,209)	23,509	20,300
Bonds issued	**1,496,091**	**45,777**	**3.06%**	1,440,787	44,281	3.07%	1,698	(202)	1,496
Total	**26,691,566**	**582,306**	**2.18%**	24,126,735	421,582	1.75%	42,992	117,732	160,724
Net interest income		**466,545**			459,266		63,047	(55,768)	7,279
Net interest margin			**1.59%**			1.75%			(16) Bps

1 Average balances are average daily balances derived from the Group's management accounts (unaudited).

2 The impact on interest income/expense of variances in the volume factor is calculated based on the changes in average balances of interest-earning assets and interest-bearing liabilities during the reporting period. The impact on interest income/expense of variances in the interest rate factor is calculated based on the changes in the average interest rates of interest-earning assets and interest-bearing liabilities during the reporting period. The impact relating to the combined changes in both the volume factor and the interest rate factor has been classified as a change in the interest rate factor.

Notes:

1 Investments include debt securities at fair value through other comprehensive income, debt securities at amortised cost, investment trusts and asset management plans, etc.
2 Balances with central banks and due from and placements with banks and other financial institutions include mandatory reserves, surplus reserves, other placements with central banks and due from and placements with banks and other financial institutions.
3 Due to and placements from banks and other financial institutions include due to and placements from banks and other financial institutions, due to central banks and other funds.

The average balances and average interest rates of loans and due to customers in the Chinese mainland, classified by business type, are summarised in the following table:

Items	2023 Average balance	2023 Average interest rate	2022 Average balance	2022 Average interest rate	Change Average balance	Change Average interest rate
RMB businesses in the Chinese mainland			Unit: RMB million, except percentages			
Loans						
Corporate loans	**9,195,316**	**3.48%**	7,492,173	3.86%	1,703,143	(38) Bps
Personal loans	**5,705,867**	**4.43%**	5,554,541	4.84%	151,326	(41) Bps
Trade bills	**589,967**	**1.41%**	445,560	1.80%	144,407	(39) Bps
Total	**15,491,150**	**3.75%**	13,492,274	4.20%	1,998,876	(45) Bps
Including:						
Medium and long-term loans	**11,484,415**	**4.09%**	10,045,168	4.59%	1,439,247	(50) Bps
Short-term loans within 1 year and others	**4,006,735**	**2.78%**	3,447,106	3.05%	559,629	(27) Bps
Due to customers						
Corporate demand deposits	**4,435,053**	**1.06%**	3,978,931	0.92%	456,122	14Bps
Corporate time deposits	**3,462,415**	**2.60%**	2,871,172	2.77%	591,243	(17) Bps
Personal demand deposits	**2,807,327**	**0.23%**	2,570,715	0.30%	236,612	(7) Bps
Personal time deposits	**5,300,099**	**2.68%**	4,220,928	2.93%	1,079,171	(25) Bps
Other	**698,105**	**2.88%**	738,426	3.11%	(40,321)	(23) Bps
Total	**16,702,999**	**1.83%**	14,380,172	1.88%	2,322,827	(5) Bps
Foreign currency businesses in the Chinese mainland			Unit: USD million, except percentages			
Loans	**50,364**	**4.42%**	52,880	1.88%	(2,516)	254Bps
Due to customers						
Corporate demand deposits	**54,006**	**1.90%**	70,372	0.27%	(16,366)	163Bps
Corporate time deposits	**48,277**	**4.27%**	38,048	1.19%	10,229	308Bps
Personal demand deposits	**23,276**	**0.02%**	27,024	0.02%	(3,748)	–
Personal time deposits	**18,647**	**1.71%**	15,829	0.40%	2,818	131Bps
Other	**1,818**	**2.04%**	3,146	1.68%	(1,328)	36Bps
Total	**146,024**	**2.36%**	154,419	0.50%	(8,395)	186Bps

Note: “Due to customers – Other” includes structured deposits.

Non-interest Income

In 2023, the Group reported non-interest income of RMB157.593 billion, an increase of RMB30.398 billion or 23.90% compared with the prior year. Non-interest income represented 25.25% of operating income.

Net Fee and Commission Income

The Group earned net fee and commission income of RMB78.865 billion, an increase of RMB3.975 billion or 5.31% compared with the prior year, representing 12.64% of operating income. This was mainly due to the Bank's increased business development efforts, and the income from consulting and advisory business, fiduciary business and bank card business increased.

Changes in net fee and commission income are set out below:

Unit: RMB million, except percentages

Items	2023	2022	Change	Change (%)
Group				
Agency commissions	**21,134**	22,319	(1,185)	(5.31%)
Bank card fees	**13,585**	12,256	1,329	10.84%
Settlement and clearing fees	**16,672**	15,994	678	4.24%
Credit commitment fees	**11,412**	11,368	44	0.39%
Consultancy and advisory fees	**8,051**	5,651	2,400	42.47%
Spread income from foreign exchange business	**5,751**	5,788	(37)	(0.64%)
Custodian and other fiduciary service fees	**8,581**	6,844	1,737	25.38%
Other	**7,183**	6,882	301	4.37%
Fee and commission income	**92,369**	87,102	5,267	6.05%
Fee and commission expense	**(13,504)**	(12,212)	(1,292)	10.58%
Net fee and commission income	**78,865**	74,890	3,975	5.31%
Chinese mainland				
Agency commissions	**17,834**	17,702	132	0.75%
Bank card fees	**10,652**	10,078	574	5.70%
Settlement and clearing fees	**14,850**	14,370	480	3.34%
Credit commitment fees	**4,982**	5,400	(418)	(7.74%)
Consultancy and advisory fees	**6,920**	4,780	2,140	44.77%
Spread income from foreign exchange business	**5,310**	5,520	(210)	(3.80%)
Custodian and other fiduciary service fees	**7,841**	6,194	1,647	26.59%
Other	**4,254**	5,435	(1,181)	(21.73%)
Fee and commission income	**72,643**	69,479	3,164	4.55%
Fee and commission expense	**(9,791)**	(10,400)	609	(5.86%)
Net fee and commission income	**62,852**	59,079	3,773	6.39%

Other Non-interest Income

The Group realised other non-interest income of RMB78.728 billion, an increase of RMB26.423 billion or 50.52% compared with the prior year. This was primarily attributable to an increase in net trading gain from foreign exchange and interest rate products due to market fluctuations. Please refer to Notes V.3, 4, 5 to the Consolidated Financial Statements for detailed information.

Unit: RMB million, except percentages

Items	2023	2022	Change	Change (%)
Net trading gains	**28,723**	7,221	21,502	297.77%
Net gains on transfers of financial asset	**806**	2,083	(1,277)	(61.31%)
Other operating income	**49,199**	43,001	6,198	14.41%
Total	**78,728**	52,305	26,423	50.52%

Operating Expenses

The Bank continued to operate its business in a prudent manner. It continually optimised its cost structure strictly reduced the general expenses, allocated greater resources to scientific and technological innovation and digital operation, so as to promote the level of refined management and increase output efficiency. In 2023, the Group recorded operating expenses of RMB222.933 billion, an increase of RMB23.427 billion or 11.74% compared with the prior year. Of which, it recorded operating and administrative expenses (including staff costs, general operating and administrative expenses, depreciation and amortisation) of RMB177.503 billion, an increase of RMB8.190 billion or 4.84% compared with the prior year. The Group's cost to income ratio (calculated in accordance with regulations in the Chinese mainland) was 28.50%, a decrease of 0.42 percentage points compared with the prior year. Please refer to Note V.6, 7 to the Consolidated Financial Statements for detailed information.

Unit: RMB million, except percentages

Items	2023	2022	Change	Change (%)
Staff costs	**107,872**	101,004	6,868	6.80%
General operating and administrative expenses	**44,778**	44,730	48	0.11%
Depreciation and amortisation	**24,853**	23,579	1,274	5.40%
Cost of sales of precious metal products	**13,939**	9,090	4,849	53.34%
Insurance service expenses	**9,020**	7,814	1,206	15.43%
Insurance finance expenses/(income)	**6,994**	(3,279)	10,273	N.A.
Taxes and surcharges	**6,098**	6,072	26	0.43%
Other	**9,379**	10,496	(1,117)	(10.64%)
Total	**222,933**	199,506	23,427	11.74%

Impairment Losses on Assets

The Bank consistently maintained a proactive and forward-looking approach to risk management, ensuring relatively stable credit asset quality. At the same time, it rigorously implemented a prudent and solid risk provisioning policy to maintain adequate risk resistance capability. In 2023, the Group's impairment losses on assets totalled RMB106.562 billion, an increase of RMB2.603 billion or 2.50% compared with the prior year. The Group's impairment losses on loans totalled RMB106.114 billion, an increase of RMB13.321 billion or 14.36% compared with the prior year. Please refer to the section "Risk Management – Credit Risk Management" and Notes V.9, 17 and VI.2 to the Consolidated Financial Statements for more information on loan quality and allowance for loan impairment losses.

Income Tax Expense

In 2023, the Group incurred income tax of RMB49.237 billion, an increase of RMB2.321 billion or 4.95% compared with the prior year. The Group's effective tax rate was 16.66%. Please refer to Note V.10 to the Consolidated Financial Statements for the reconciliation of statutory income tax expense to effective income tax expense.

Financial Position Analysis

The Bank adhered to requirements for high-quality development, dynamically adjusted its business strategies and continually improved its business structure, thus achieving steady growth in assets and liabilities. As at the end of 2023, the Group's total assets amounted to RMB32,432.166 billion, an increase of RMB3,538.618 billion or 12.25% compared with the prior year-end. The Group's total liabilities amounted to RMB29,675.351 billion, an increase of RMB3,345.104 billion or 12.70% compared with the prior year-end.

The principal components of the Group's consolidated statement of financial position are set out below:

Unit: RMB million, except percentages

Items	As at 31 December 2023 Amount	% of total	As at 31 December 2022 Amount	% of total
Assets				
Loans and advances to customers, net	**19,476,871**	**60.05%**	17,116,005	59.24%
Investments	**7,158,717**	**22.07%**	6,435,244	22.27%
Balances with central banks	**2,941,140**	**9.07%**	2,313,859	8.01%
Due from and placements with banks and other financial institutions	**1,735,172**	**5.35%**	1,924,454	6.66%
Other assets	**1,120,266**	**3.46%**	1,103,986	3.82%
Total assets	**32,432,166**	**100.00%**	28,893,548	100.00%
Liabilities				
Due to customers	**22,907,050**	**77.19%**	20,201,825	76.72%
Due to and placements from banks and other financial institutions and due to central banks	**3,955,659**	**13.33%**	3,622,516	13.76%
Other borrowed funds	**1,838,622**	**6.20%**	1,565,840	5.95%
Other liabilities	**974,020**	**3.28%**	940,066	3.57%
Total liabilities	**29,675,351**	**100.00%**	26,330,247	100.00%

Note: "Other borrowed funds" includes bonds issued and other borrowings.

Loans and Advances to Customers

The Bank earnestly fulfilled its responsibilities as a large state-owned bank and optimised its fund supply by increasing its support for the nation's key strategies, key areas and weak links in the real economy. Its credit structure was further optimised, and it achieved solid growth in lending scale. As at the end of 2023, the Group's loans and advances to customers amounted to RMB19,961.779 billion, an increase of RMB2,409.018 billion or 13.72% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB16,703.660 billion, an increase of RMB2,360.690 billion or 16.46% compared with the prior year-end, while its foreign currency loans amounted to USD460.011 billion, a decrease of USD0.861 billion or 0.19% compared with the prior year-end. Please refer to Note V.17 to the Consolidated Financial Statements for detailed information.

The Bank further improved its risk management system, paid close attention to changes in the macroeconomic situation, strengthened risk identification and management in key areas and made greater efforts in the disposal of non-performing assets, thus maintaining generally stable asset quality. As at the end of 2023, the balance of the Group's allowance for loan impairment losses amounted to RMB485.298 billion, an increase of RMB48.057 billion compared with the prior year-end. The balance of the Group's restructured NPLs amounted to RMB58.968 billion, an increase of RMB30.551 billion compared with the prior year-end.

Loans and Advances to Customers by Geography

Unit: RMB million, except percentages

Items	As at 31 December 2023		As at 31 December 2022		As at 31 December 2021	
	Amount	**% of total**	Amount	% of total	Amount	% of total
Corporate loans						
Chinese mainland: RMB	**10,655,067**	**53.38%**	8,523,463	48.56%	7,161,416	45.58%
Foreign currency	**353,163**	**1.77%**	295,121	1.68%	329,463	2.10%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**2,289,792**	**11.47%**	2,280,239	12.99%	2,090,365	13.30%
Subtotal	**13,298,022**	**66.62%**	11,098,823	63.23%	9,581,244	60.98%
Personal loans						
Chinese mainland: RMB	**5,827,122**	**29.19%**	5,681,110	32.36%	5,461,645	34.76%
Foreign currency	**1,532**	**0.01%**	1,089	0.01%	735	0.00%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**781,311**	**3.91%**	724,771	4.13%	631,370	4.02%
Subtotal	**6,609,965**	**33.11%**	6,406,970	36.50%	6,093,750	38.78%
Accrued interest	**53,792**	**0.27%**	46,968	0.27%	37,580	0.24%
Total loans	**19,961,779**	**100.00%**	17,552,761	100.00%	15,712,574	100.00%

Note: The comparative figures for 2021 are not restated.

Investments

The Bank closely tracked financial market dynamics, maintained investment activity at a reasonable pace, and dynamically adjusted its investment portfolio structure. As at the end of 2023, the Group held investments of RMB7,158.717 billion, an increase of RMB723.473 billion or 11.24% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB5,441.777 billion, an increase of RMB435.599 billion or 8.70% compared with the prior year-end, while foreign currency investments totalled USD242.413 billion, an increase of USD37.223 billion or 18.14% compared with the prior year-end.

The classification of the Group's financial investment portfolio is shown below:

Unit: RMB million, except percentages

Items	As at 31 December 2023		As at 31 December 2022	
	Amount	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**550,421**	**7.69%**	613,105	9.53%
Financial assets at fair value through other comprehensive income	**3,248,113**	**45.37%**	2,500,216	38.85%
Financial assets at amortised cost	**3,360,183**	**46.94%**	3,321,923	51.62%
Total	**7,158,717**	**100.00%**	6,435,244	100.00%

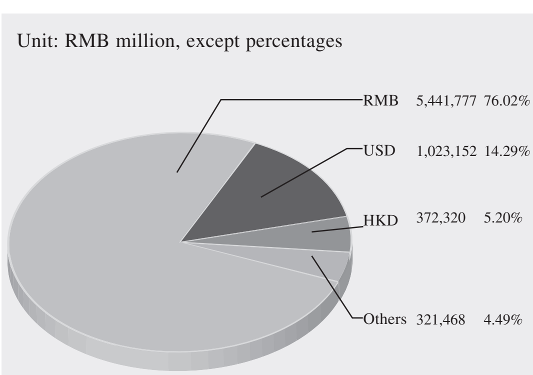
Investments by Issuer Type

Unit: RMB million, except percentages

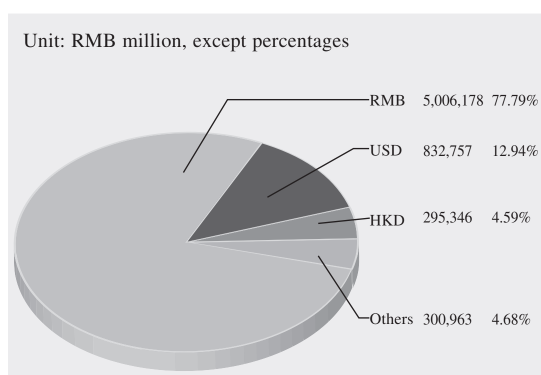
Items	As at 31 December 2023 Amount	As at 31 December 2023 % of total	As at 31 December 2022 Amount	As at 31 December 2022 % of total
Debt securities				
Issuers in the Chinese mainland				
Government	**3,764,329**	**52.58%**	3,382,240	52.56%
Public sector and quasi-governments	**167,171**	**2.34%**	168,182	2.61%
Policy banks	**714,013**	**9.98%**	609,586	9.47%
Financial institutions	**396,789**	**5.54%**	411,511	6.40%
Corporates	**199,070**	**2.78%**	247,677	3.85%
China Orient Asset Management Corporation	**152,433**	**2.13%**	152,433	2.37%
Subtotal	**5,393,805**	**75.35%**	4,971,629	77.26%
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
Governments	**820,426**	**11.46%**	684,529	10.64%
Public sector and quasi-governments	**202,019**	**2.82%**	124,638	1.94%
Financial institutions	**267,218**	**3.73%**	204,373	3.17%
Corporates	**138,133**	**1.93%**	130,322	2.02%
Subtotal	**1,427,796**	**19.94%**	1,143,862	17.77%
Equity instruments and others	**337,116**	**4.71%**	319,753	4.97%
Total	**7,158,717**	**100.00%**	6,435,244	100.00%

Note: "Equity instruments and others" includes accrual interest.

Investments by Currency



As at 31 December 2023



As at 31 December 2022

Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

Bond Name	Par Value	Annual rate	Maturity date	Impairment Allowance
Bond issued by policy banks in 2019	22,947	3.48%	2029-01-08	–
Bond issued by policy banks in 2019	21,328	3.65%	2029-05-21	–
Bond issued by policy banks in 2022	15,620	2.82%	2027-06-17	–
Bond issued by policy banks in 2023	15,573	2.87%	2028-02-06	–
Bond issued by policy banks in 2018	15,269	4.88%	2028-02-09	–
Bond issued by policy banks in 2019	14,461	3.74%	2029-07-12	–
Bond issued by policy banks in 2022	13,435	2.50%	2027-08-24	–
Bond issued by policy banks in 2019	13,325	3.75%	2029-01-25	–
Bond issued by policy banks in 2018	12,710	4.98%	2025-01-12	–
Bond issued by policy banks in 2019	12,642	3.86%	2029-05-20	–

Note: Financial bonds refer to debt securities issued by financial institutions in the bond market, including the bonds issued by policy banks, other banks and non-bank financial institutions, but excluding restructured bonds and PBOC bills.

Due to Customers

The Bank focused on high-quality development, accelerated product and service innovation, optimised the balance between deposit growth and cost control while continually enhancing its financial services offering. It actively expanded its demand deposit base by focusing on key deposit products such as salary payment agency, cash management, quick payment service and social security cards. It also improved the quality of its deposit business by reducing the scale of high-cost deposits such as structured deposits and negotiated deposits, resulting in a steady decrease in the funding cost of RMB deposits. As at the end of 2023, the Group's due to customers amounted to RMB22,907.050 billion, an increase of RMB2,705.225 billion or 13.39% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB18,282.470 billion, an increase of RMB2,403.036 billion or 15.13% compared with the prior year-end, while its foreign currency due to customers stood at USD652.940 billion, an increase of USD32.317 billion or 5.21% compared with the prior year-end.

The principal components of due to customers of the Group and its institutions in the Chinese mainland are set out below:

Unit: RMB million, except percentages

Items	As at 31 December 2023		As at 31 December 2022	
	Amount	% of total	Amount	% of total
Group				
Corporate deposits				
Demand deposits	**5,639,238**	**24.62%**	5,370,057	26.58%
Time deposits	**5,592,463**	**24.41%**	4,462,328	22.09%
Structured deposits	**298,621**	**1.30%**	328,602	1.63%
Subtotal	**11,530,322**	**50.33%**	10,160,987	50.30%
Personal deposits				
Demand deposits	**3,782,330**	**16.51%**	3,757,373	18.60%
Time deposits	**6,662,417**	**29.09%**	5,384,034	26.65%
Structured deposits	**235,724**	**1.03%**	255,289	1.26%
Subtotal	**10,680,471**	**46.63%**	9,396,696	46.51%
Certificates of deposits	**310,212**	**1.35%**	290,082	1.44%
Others	**386,045**	**1.69%**	354,060	1.75%
Total	**22,907,050**	**100.00%**	20,201,825	100.00%
Chinese mainland				
Corporate deposits				
Demand deposits	**4,848,957**	**25.56%**	4,614,933	27.88%
Time deposits	**4,274,946**	**22.53%**	3,246,549	19.62%
Structured deposits	**273,167**	**1.44%**	299,839	1.81%
Subtotal	**9,397,070**	**49.53%**	8,161,321	49.31%
Personal deposits				
Demand deposits	**3,203,911**	**16.89%**	3,097,561	18.72%
Time deposits	**5,813,425**	**30.64%**	4,713,810	28.48%
Structured deposits	**210,940**	**1.11%**	246,813	1.49%
Subtotal	**9,228,276**	**48.64%**	8,058,184	48.69%
Others	**348,871**	**1.83%**	331,027	2.00%
Total	**18,974,217**	**100.00%**	16,550,532	100.00%

Note: "Others" is inclusive of accrued interest.

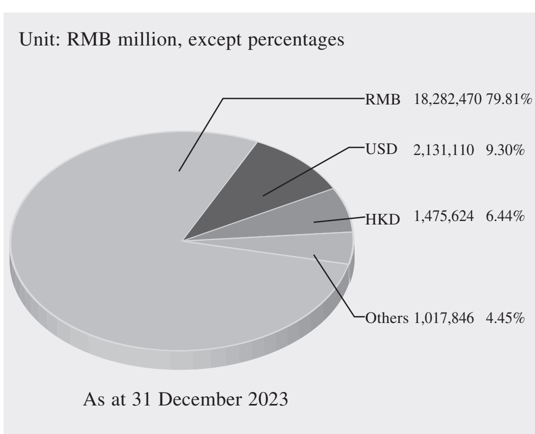
Due to Customers by Geography

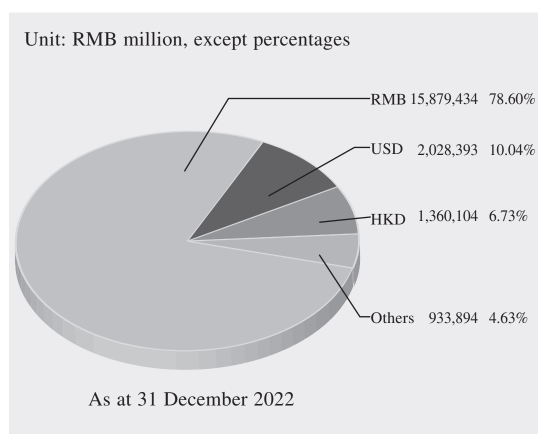
Unit: RMB million, except percentages

Items	As at 31 December 2023 Amount	As at 31 December 2023 % of total	As at 31 December 2022 Amount	As at 31 December 2022 % of total	As at 31 December 2021 Amount	As at 31 December 2021 % of total
Corporate deposits						
Chinese mainland: RMB	**8,734,967**	**38.13%**	7,532,878	37.29%	6,949,089	38.30%
Foreign currency	**662,103**	**2.89%**	628,443	3.11%	746,501	4.12%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**2,133,252**	**9.31%**	1,999,666	9.90%	1,899,896	10.47%
Subtotal	**11,530,322**	**50.33%**	10,160,987	50.30%	9,595,486	52.89%
Personal deposits						
Chinese mainland: RMB	**8,926,078**	**38.97%**	7,752,565	38.38%	6,635,794	36.58%
Foreign currency	**302,198**	**1.32%**	305,619	1.51%	293,935	1.62%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**1,452,195**	**6.34%**	1,338,512	6.62%	1,157,382	6.38%
Subtotal	**10,680,471**	**46.63%**	9,396,696	46.51%	8,087,111	44.58%
Certificates of deposits	**310,212**	**1.35%**	290,082	1.44%	160,419	0.88%
Others	**386,045**	**1.69%**	354,060	1.75%	299,871	1.65%
Total deposits	**22,907,050**	**100.00%**	20,201,825	100.00%	18,142,887	100.00%

Note: "Others" includes accrued interest.

Due to Customers by Currency





Liability Quality Management

The Bank continually strengthened its liability quality management, actively optimised its liability structure, and achieved steady development of the Group's liability business. The Bank earnestly implemented regulatory requirements on liability quality management. According to its business strategy, risk appetite, and overall business characteristics, the Bank effectively managed the sources, structure, and cost of liabilities to fit the development of its own liability business, with relevant indicators meeting internal and external management requirements. By enhancing the expansion of customer deposits, strengthening internal and external pricing management, improving market financing capabilities, appropriately managing the degree of mismatch in terms and currencies of liability business, the Bank continuously improved its liability quality management capability.

Equity

As at the end of 2023, the Group's total equity stood at RMB2,756.815 billion, an increase of RMB193.514 billion or 7.55% compared with the prior year-end. This was primarily attributable to the following factors: (1) In 2023, the Group realised a profit for the year of RMB246.371 billion, among which profit attributable to equity holders of the Bank amounted to RMB231.904 billion. (2) The Bank pushed forward its external capital replenishment projects in a proactive and prudent manner, successfully issuing RMB30.0 billion of undated capital bonds. (3) As per the 2022 profit distribution plan approved at the Annual General Meeting, a cash dividend of RMB68.298 billion was paid out on ordinary shares. (4) The Bank paid a dividend on its preference shares of RMB5.162 billion and interest on undated capital bonds of RMB10.058 billion. Please refer to the "Consolidated Statement of Changes in Equity" in the Consolidated Financial Statements for detailed information.

Off-balance Sheet Items

Off-balance sheet items include agency investment and financing services, intermediary services, derivatives, contingent liabilities and commitments, etc. Agency investment and financing services mainly include asset management products, entrusted loans, agency bond issuance and underwriting. Intermediary services mainly include agency services, asset custody, financial advisory and consulting. Derivatives mainly include foreign currency exchange rates contracts, interest rates contracts, equity contracts, credit contracts, precious metals and other commodity contracts. Please refer to Note V.16 to the Consolidated Financial Statements for detailed information. Contingent liabilities and commitments include legal proceedings and arbitrations, assets pledged, collateral accepted, credit commitments, capital commitments, operating leases, treasury bond redemption commitments and underwriting obligations, etc. Please refer to Note V.41 to the Consolidated Financial Statements for detailed information.

In 2023, the Group adhered to the principle of steady development, continued to enrich off-balance sheet products, strengthened the linkage of on-and off-balance sheet products, and fully leveraged on the characteristics of off-balance sheet business such as extensive marketing and service coverage to continuously improve its comprehensive financial services. It strengthened the coordinated management and comprehensive risk management of off-balance sheet businesses, improved relevant policies and procedures, clarified the off-balance sheet business development strategy, and cemented the foundation for off-balance sheet business development.

Cash Flow Analysis

As at the end of 2023, the balance of the Group's cash and cash equivalents was RMB2,516.725 billion, an increase of RMB425.259 billion compared with the prior year-end.

In 2023, net cash flow from operating activities was an inflow of RMB816.446 billion as compared to an outflow of RMB21.855 billion in the prior year. This was mainly attributable to a net increase in due to customers, a net increase in due to banks and other financial institutions and due to central banks whereas it was a net decrease in the prior year.

Net cash flow from investing activities was an outflow of RMB539.428 billion, an increase of RMB527.704 billion compared with the prior year. This was mainly attributable to an increase in purchase of financial investments.

Net cash flow from financing activities was an inflow of RMB119.862 billion, an increase of RMB66.815 billion compared with the prior year. This was mainly attributable to an increase in proceeds from issuance of bonds.

Segment Reporting by Geography

From a geographical perspective, the Group operates in three principal regions: the Chinese mainland; Hong Kong (China), Macao (China) and Taiwan (China), and other countries and regions. From a business perspective, the Group provides financial services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

A geographical analysis of profit contribution and related assets and liabilities is set forth in the following table:

Unit: RMB million

	Chinese mainland		Hong Kong (China), Macao (China) and Taiwan (China)		Other countries and regions		Elimination		Group	
Items	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Net interest income	**393,064**	401,927	**48,903**	38,658	**22,451**	18,385	**2,127**	296	**466,545**	459,266
Non-interest income	**101,000**	84,584	**55,864**	38,842	**7,333**	7,009	**(6,604)**	(3,240)	**157,593**	127,195
Including: net fee and commission income	**62,852**	59,079	**13,096**	13,385	**5,223**	4,278	**(2,306)**	(1,852)	**78,865**	74,890
Operating expenses	**(176,593)**	(166,352)	**(40,466)**	(27,679)	**(8,849)**	(8,043)	**2,975**	2,568	**(222,933)**	(199,506)
Impairment losses on assets	**(88,124)**	(89,949)	**(11,086)**	(11,360)	**(7,352)**	(2,650)	**–**	–	**(106,562)**	(103,959)
Profit before income tax	**229,858**	230,637	**53,669**	38,679	**13,583**	14,701	**(1,502)**	(376)	**295,608**	283,641
As at the year-end										
Assets	**26,470,195**	23,377,029	**5,228,040**	4,949,867	**2,372,795**	2,347,203	**(1,638,864)**	(1,780,551)	**32,432,166**	28,893,548
Liabilities	**24,246,297**	21,329,365	**4,777,839**	4,509,283	**2,288,051**	2,271,615	**(1,636,836)**	(1,780,016)	**29,675,351**	26,330,247

As at the end of 2023, total assets[3] of the Bank's Chinese mainland segment amounted to RMB26,470.195 billion, an increase of RMB3,093.166 billion or 13.23% compared with the prior year-end, representing 77.69% of the Group's total assets. In 2023, this segment recorded a profit before income tax of RMB229.858 billion, a decrease of RMB0.779 billion or 0.34% compared with the prior year, representing 77.37% of the Group's profit before income tax.

3 Figures for segment assets, segment profit before income tax and their respective proportions are prior to intragroup elimination.

As at the end of 2023, total assets of the Hong Kong (China), Macao (China) and Taiwan (China) segment amounted to RMB5,228.040 billion, an increase of RMB278.173 billion or 5.62% compared with the prior year-end, representing 15.34% of the Group's total assets. In 2023, this segment recorded a profit before income tax of RMB53.669 billion, an increase of RMB14.990 billion or 38.75% compared with the prior year, representing 18.06% of the Group's profit before income tax.

As at the end of 2023, total assets of the other countries and regions segment amounted to RMB2,372.795 billion, an increase of RMB25.592 billion or 1.09% compared with the prior year-end, representing 6.97% of the Group's total assets. In 2023, this segment recorded a profit before income tax of RMB13.583 billion, a decrease of RMB1.118 billion or 7.60% compared with the prior year, representing 4.57% of the Group's profit before income tax.

Operating income for the main business segments of the Group is set forth in the following table:

Unit: RMB million, except percentages

Items	**2023**		2022	
	Amount	**% of total**	Amount	% of total
Commercial banking business	**577,573**	**92.54%**	558,593	95.25%
Including: Corporate banking	**254,758**	**40.82%**	223,359	38.09%
Personal banking	**272,236**	**43.62%**	244,950	41.77%
Treasury operations	**50,579**	**8.10%**	90,284	15.39%
Investment banking and insurance	**28,236**	**4.52%**	11,963	2.04%
Others and elimination	**18,329**	**2.94%**	15,905	2.71%
Total	**624,138**	**100.00%**	586,461	100.00%

Please refer to Note V.44 to the Consolidated Financial Statements for detailed information related to the Group's other operating results and financial position in terms of its geographic segment and business segments categories.

Critical Accounting Estimates and Judgements

The accounting estimates and judgements made by the Group will generally affect the carrying amounts of assets and liabilities of the next financial year. These estimates and judgements are continually evaluated and are based on historical experience, expectations of future events that are believed to be reasonable under the circumstances and other factors. Management believes that the accounting estimates and judgements have properly reflected the Bank's operating environment. Please refer to Notes II and III to the Consolidated Financial Statements for detailed information related to the Bank's accounting policies and accounting estimates.

Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

Items	As at 31 December 2023	As at 31 December 2022	Change
Due from and placements with banks and other financial institutions at fair value	**18,126**	12,333	5,793
Financial assets at fair value through profit or loss			
Debt securities	**336,184**	398,100	(61,916)
Equity instruments	**112,434**	112,582	(148)
Fund investments and other	**101,803**	102,423	(620)
Loans and advances to customers at fair value	**718,776**	587,256	131,520
Financial assets at fair value through other comprehensive income			
Debt securities	**3,215,983**	2,473,380	742,603
Equity instruments and other	**32,130**	26,836	5,294
Derivative financial assets	**146,750**	152,033	(5,283)
Derivative financial liabilities	**(135,973)**	(135,838)	(135)
Due to and placements from banks and other financial institutions at fair value	**(3,798)**	–	(3,798)
Due to customers at fair value	**(47,657)**	(36,701)	(10,956)
Bonds issued at fair value	**(2,118)**	(2,080)	(38)
Financial liabilities held for trading	**(54,264)**	(53,868)	(396)

The Bank has put in place a sound internal control mechanism for fair value measurement. In accordance with the *Regulatory Guidelines on Valuation of Financial Instruments in Commercial Banks, Guidelines on Market Risk Management in Commercial Banks*, CAS and IFRS Accounting Standards, with reference to the Basel Capital Accord, and drawing on the best practices of leading international banks regarding valuations, the Bank formulated the *Valuation Policy of Financial Instrument Fair Values of Bank of China Limited* to standardise the fair value measurement of financial instruments and enable timely and accurate financial information disclosure. Please refer to Note VI.5 to the Consolidated Financial Statements for detailed information related to fair value measurement.

Other Financial Information

There are no differences in the equity and profit for the year of the Group prepared in accordance with IFRS Accounting Standards to those prepared in accordance with CAS. Please refer to Supplementary Information I to the Consolidated Financial Statements for detailed information.

BUSINESS REVIEW

Overview of Strategic Progress

In 2023, the Bank earnestly implemented national decisions and plans and advanced the execution of the 14th Five-Year Plan, thus achieved sound execution of its strategy. It continued to apply the new development philosophy fully, faithfully and in all fields of endeavour. It also took necessary steps to deepen supply-side structural reform in the financial sector. The Bank made contribution to smooth domestic circulation and the "dual-circulation" of domestic and international markets, and stepped up financial support for major strategies, key areas and weak links, and implemented the "five major tasks" of promoting technology finance, green finance, inclusive finance, pension finance, and digital finance, and made constant efforts to contribute to the high-quality development of the real economy.

Technology Finance

The Bank placed great importance on providing financial support for the nation's technological self-reliance and self-improvement, actively promoted high-level planning, high-standard services and high-quality development in technology finance, and utilised comprehensive approach to intensify the support for the technology finance.

✧ **Vigorously expanding its customer base across the technology sector with a focus on batch customer acquisition scenarios.** The Bank strengthened full lifecycle services for key customer groups, including high-tech enterprises, tech-oriented small and medium-sized enterprises (SMEs) and specialised and sophisticated enterprises. It targeted customer acquisition from sources including national and provincial laboratories, key scientific research institutes, and universities. The Bank analysed the characteristics of core customer groups such as technological enterprises, utilised digital methods to create customer profiles, and implemented differentiated precision marketing based on the refined classification of customer groups.

✧ **Popularising specialised technology finance products and optimising the supply of financial products and services.** Aligning with the needs of technological enterprises, the Bank continuously refined and promoted credit products, including innovative "bonus point" loans, intellectual property pledge loans, and loans to specialised and sophisticated SMEs, thus supporting major technological breakthroughs. It established credit review and approval procedures and a credit assessment model tailored to the characteristics of technological enterprises, and leveraged artificial intelligence, big data and other information technologies to improve its credit risk assessment capabilities.

- ✧ **Enhancing its comprehensive service system and supporting the growth of technological enterprises.** Focusing on key industries and customer groups, the Bank established a robust business system for technology asset management and promoted innovation in technology insurance and technology leasing. It increased investments in technological enterprises and provided a range of financial services, including investment banking and asset management services, thus providing enterprises with full-lifecycle, seamless and diversified support. As at the end of 2023, the Bank had provided around RMB1.47 trillion of credit support[4] to approximately 68,000 technological enterprises, with other comprehensive financial services amounting to over RMB610.0 billion in value.

- ✧ **Deepening cooperation between banks and governments and actively building a technology finance ecosystem.** The Bank introduced the BOC-Torch "Innovative Bonus Point Loan" in collaboration with the Ministry of Science and Technology, launched "Enter the High-Tech Zone" campaign and continually expanded the coverage of its technology finance ecosystem, so as to enhance the brand image of "BOC Technology Innovation +".

Green Finance

In strict adherence to the national decision and plan of "carbon peak and carbon neutrality", the Bank fully implemented its green development strategy with the goal of becoming the bank of choice for green finance services. It optimised its green finance governance structure and refined supporting measures for green finance, realising a healthy and rapid growth in green finance business. In 2023, the Bank received a number of awards for green finance from *Global Finance, Asiamoney, Financial Times, China Securities Journal* and other domestic and overseas magazines.

- ✧ **Rapid growth in green credit.** The Bank participated in benchmark green projects with global influence and ranked first among Chinese banks in Bloomberg's "Global Sustainability-Linked Loans" and "Global Green UoP Loans"[5] rankings. It served as global co-lead bank for Central Asia's largest single wind power project and played a key role in the first environmental, social and governance (ESG) loan for a mainstream oil and gas company in the Middle East. Furthermore, the Bank introduced a sustainability-linked loan that innovatively incorporates biodiversity conservation indicators. As at the end of 2023, the Bank's domestic green credit balance[6] reached RMB3,106.7 billion, a year-on-year increase of 56.34%.

---

4 The figure is calculated based on the statistical standards reported to NFRA. Technology loans include loans, trade finance and discounted bills.

5 Bloomberg's data refer to green loans.

6 The figure is calculated based on the statistical standards for "green credit" by NFRA.

- **Leading position in the green bond market.** In 2023, the Bank issued USD2.4 billion in overseas green financial bonds and RMB30.0 billion in domestic green financial bonds, becoming the most active Chinese issuer of sustainability bonds. It also successfully issued the world's first green bonds themed around the Belt and Road Initiative, as well as the world's first USD-denominated sustainability-linked loan bond. The Bank underwrote RMB341.658 billion in domestic green bonds, ranking first in the interbank market, as well as USD29.760 billion of overseas green bonds, placing first among Chinese peers in Bloomberg's "Global Offshore Green Bonds" rankings. As at the end of 2023, the Bank's green bond investments exceeded RMB100.0 billion, ranking first in the National Association of Financial Market Institutional Investors (NAFMII)'s "List of Investors in Green Debt Financing Instruments".

- **Abundant and diversified green products and services.** The Bank has established the "BOC Green+" global brand and launched more than 10 green financial products and services across five categories, covering deposits, loans, bonds, consumption and other comprehensive services, etc. In 2023, the Bank granted first sustainable development-linked syndicated loan in Chinese shipping industry, and opened a trading account with the National Greenhouse Gas Emissions Reduction Trading System. The "BOCHK Greater Bay Area Climate Transition ETF (Trading Open-end Index Fund)" was listed on the Main Board of the Hong Kong Stock Exchange, and the Bank achieved green RMB trade finance withdrawals for the first time in Thailand market.

Promoting green development with comprehensive green finance services

Green Asset Management

- **BOC Wealth Management** offered 17 green finance themed products, with a cumulative product volume of approximately RMB51.371 billion.
- **BOCIM** developed green and ESG mutual fund products under the three categories of low-carbon and green development concept funds, social responsibility funds, and ESG concept funds, achieving a scale of RMB3.214 billion (calculated with reference to the ESG fund classification system of CITIC Securities).

Green Insurance

- **BOC Insurance** developed 109 green insurance products, assuming insurance liabilities of RMB272.2 billion.

Green Leasing

- **BOCL's** green assets stood at RMB24.011 billion, accounting for about 43.79% of its total leasing assets.
- **BOC Aviation** ranked first among the aircraft leasing companies in Asia in terms of the value of owned aircraft, and owned aircraft using the latest green technology.

Green Bonds

- **BOCI** underwrote 11 green and sustainability-linked bonds, totalling an equivalent of USD4.215 billion in scale.
- **BOCI China** underwrote green bonds totalling RMB30.175 billion in scale.

Green Investment

- **BOC Asset Investment's** proprietary investment in green finance projects stood at RMB33.539 billion, accounting for 42.54% of its investment portfolio.
- **BOC-Samsung Life's** investment in green finance stood at RMB4.247 billion, including debt investment plans, equity funds, bonds and stocks.

Note: The above figures are as of the end of 2023.

✧ **Active participation in green finance collaboration.** The Bank actively participated in global green governance, contributing its expertise to addressing climate change. It carried out climate risk management and disclosure under the framework of the United Nations Principles for Responsible Banking (PRB) and the Task Force on Climate-related Financial Disclosures (TCFD), published the Group's first green finance report, and participated in PRB-related exchange activities. It fulfilled its role as the co-chair of the transition finance taskforce and the Green Financial Product Innovation Taskforce of the Green Investment Principle (GIP) for the Belt and Road Initiative. The Bank was re-elected as vice-chair of the China Council of the Sustainable Markets Initiative (SMI) and jointly launched the "Green Development Investment and Financing Partnership" and the "Belt and Road" Green Development Beijing Initiative with Chinese and overseas partners, serving as their sole commercial bank. It also contributed to the China-UK Green Finance Working Group and advanced bilateral green finance cooperation. In addition, the Bank played an active role in formulating standards for green credit assessment, transition finance, carbon accounting and the information disclosure of green bonds' duration, as well as exploratory research work organised by regulatory authorities, industry associations and other organisations. It also signed a strategic cooperation agreement with the National Forestry and Grassland Administration. The Bank, as an institutional member of the China Green Bond Standard Committee, actively participated in its organised events and assisted in promoting the healthy development of the green bond market. It co-sponsored China Corner's event on green finance during the 28th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28). It published the Research Report on Green Finance Practice of the Belt and Road Initiative, which was included in the list of outcomes of the Third Belt and Road Forum for International Cooperation.

✧ **Green finance capacity building.** The Bank pushed forward the implementation of its green finance talent development system for the 14th Five-Year Plan period, covering approximately 10,000 individuals across three levels and over six themes. It developed an online training system for green finance, offering around 100 courses across eight themes, with over one million people engaged in watching and learning. It held green finance product innovation competition, performance competition and labour competition, organised a series of performance evaluation and selection activities to recognise outstanding achievements, outstanding individuals and outstanding teams, and took numerous measures to constantly improve employees' green finance competence and performance. The Bank continued to enhance the competitiveness of its domestic institutions in green finance, selected 20 tier-1 and tier-2 branches as model institutions in green finance during the year, and established a total of 310 featured green finance outlets. The Bank encouraged employees to follow the *Initiative and Guide on Green Actions of Bank of China*, fostering the green development concept. It also launched publications themed on green finance and ESG to inform customers about the latest industry trends.

Inclusive Finance

The Bank continued to uphold the concept of "finance for the people" and remained committed to serving the real economy. It focused on the integrated financial needs of micro and small-sized market entities, urban and rural residents, and other inclusive finance customers, promoting the high-quality development of inclusive finance business.

✧ **Continually expanding business volume and service coverage, and comprehensively improving service quality.** The Bank integrated online and offline efforts to extend the reach of its inclusive finance services. It continually upgraded online service channels such as the "BOC Inclusive Finance" app and "BOC E-Cooperation" app to provide customers with online products and services, and increased the number of its featured outlets for inclusive finance to over 2,800. As at the end of 2023, the Bank's outstanding inclusive finance loans[7] to micro and small-sized enterprises reached RMB1,758.543 billion, growing by 43.17% compared with the prior year-end and outpacing the Bank's overall loan growth rate, while the number of customers surpassed 1.07 million. The average interest rate of new inclusive finance loans to micro and small-sized enterprises was 3.54%, reflecting the larger interest rate concessions made by the Bank to borrowers within the real economy. The asset quality of loans to micro and small-sized enterprises remained stable and controllable.

7 Inclusive finance loans granted to micro and small-sized enterprises are measured in accordance with the *Notice of the General Office of China Banking and Insurance Regulatory Commission on Further Improving the Financial Service Quality for Micro and Small-sized Enterprises in 2023* (Yin Bao Jian Ban Fa [2023] No.42).

- ✧ **Benefitting the people by helping to stabilise and expand employment, and ensure people's livelihood.** The Bank fortified its long-acting mechanisms to stabilise and promote employment. In 2023, it granted more than RMB270.0 billion of special-purpose loans to help over 47,000 micro and small-sized enterprises stabilise and expand employment. It provided services for self-employed individuals, entrepreneurs and new urban residents, and launched special activities such as "Benefitting Merchants • Driving Consumption" and "Providing Resources to Support Startups", thus expanding its financial support service system.

- ✧ **Serving rural revitalisation and helping to build up China's strength in agriculture.** The Bank expanded its financial services coverage in key counties receiving assistance for rural revitalisation, with loan growth rates in these counties reaching 32.44% and surpassing the Bank's total loan growth rate. It provided support for national food security and offered credit services for agricultural and rural infrastructure. The Bank also provided financial services for integrated culture and tourism projects, and launched featured financial services to support rural revitalisation and promote consumption growth.

- ✧ **Giving full play to the Group's synergies and providing comprehensive inclusive finance services.** Capitalising on the Group's comprehensive operations, the Bank established a comprehensive inclusive finance system covering a wide range of services, including payment, credit, savings, cross-border business, insurance, wealth management, and direct financing.

Pension Finance

The Bank actively served the national strategy of responding to China's aging population, promoted supply-side structural reform in the financial sector, and met people's growing needs for elderly care by focusing on the four areas of pension finance, personal pension finance, pension industry finance and silver scenario ecosystem building.

- ✧ **Serving the multi-level and multi-pillar pension insurance system.** The Bank continued to optimise services in terms of national social security fund, basic pension insurance, enterprise annuities, occupational annuities, and personal pension funds. It upgraded the "Pension All-in-One" feature on its mobile banking, offering a unified view for individual queries that includes the first-pillar basic pension insurance, second-pillar corporate annuities, and third-pillar individual pension funds.

- ✧ **Enhancing supply and demand in elderly care services.** In terms of service demand-side, the Bank built a comprehensive system for personal pension financial products, enriching such products as pension savings, pension wealth management and pension funds. It upgraded the mobile banking "Silver Zone" to create a shelf-like experience for financial products. It also enriched the merchant system and held a series of featured events such as "99 Silver Festival". In terms of service supply-side, the Bank actively participated in the special campaign launched by the National Development and Reform Commission on city-enterprise collaboration, and the pilot programme of special central bank lending for inclusive elderly care services, set up a transaction group for silver business at the China International Import Expo (CIIE), and held a forum on the ten-year development of foreign-funded elderly care in China, thus promoting industrial connection and exchange.

- ✧ **Helping to creating an elderly-friendly environment.** In line with the transaction habits and preferred channels of elderly customers, the Bank upgraded and adapted outlets to become more elderly-friendly, and established demonstration outlets for elderly care services. Leveraging mobile banking, it provided elderly customers with convenient online services that enable them to enjoy a seamless digital life. The Bank made extensive efforts to promote smart technology and financial risk prevention among elderly customers, with a view to tackling the "digital divide" and continuously protecting consumer rights and interests.

Digital Finance

The Bank rigorously followed national strategies and decisions and adopted to the trend of digital economic development. Based on the improvement of technology and data capabilities, the Bank took the digital transformation and upgrading of financial services as the core, integration into the digital economy ecosystem as a breakthrough and the risk prevention and control as the fundamental, deepened the integration of "business, data, and technology", promoted integrated growth of financial services and digital technologies, improved the effectiveness of financial service supply, and supported the high-quality development of the real economy.

- ✧ **Reinforcing data support and giving full play to the values of data assets.** The Bank advanced the "empowerment of business with data", pressed ahead with data governance, integrated both internal and external data, and created the "BOC One Table". Also, it pushed forward "business-oriented data application", deepened data analysis and application, and activated the values of data assets. At the end of 2023, registered users of the "Data Verticals and Horizontals" platform reached 240,000 across the Bank, realising the service model for data application that combines "centralised data use" and "independent data use".

- **Boosting the quality and efficiency of financial services via digital transformation.** In terms of corporate banking, the Bank continuously iterated and optimised its domestic corporate online banking platform, achieving rapid growth in customer base. As at the end of 2023, the number of corporate online banking customers reached 8.19 million, an increase of 13.31% compared with the prior year-end. In terms of personal banking, the Bank refined the service experience of its domestic personal mobile banking, further improved the assessment model and risk monitoring mechanism for agency investment products, and launched functions such as "Data-based Fund Selection" based on a multi-dimensional product labelling system. As at the end of 2023, the number of monthly active mobile banking customers stood at 87.76 million. In 2023, the total transaction volume of mobile banking reached RMB54.88 trillion, up 17.46% year-on-year. The latest version of the Bank's personal mobile banking won the "Mobile Banking with Best Customer Experience" in the CBN Financial Value Ranking in 2023. In terms of financial markets business, the Bank consolidated data support, enriched trading strategies, further improved the features of the quantitative trading platform, and enhanced the efficiency of quantitative trading.

- **Actively integrating into the digital economy ecosystem.** The Bank promoted the building of corporate open banking, enriched the service scenarios of the "BOC Corporate E-link", and launched four sub-brands, namely Cloud Accounting, Cloud Finance, Cloud Direct Remittance and Cloud Payroll. The Bank upgraded the "BOC Corporate e-Manager", a one-stop corporate digital service platform, and launched integrated "non-financial + financial" services, including payroll and tax management and financial bookkeeping, to enable SMEs to improve the efficiency of operation and management. It upgraded the corporate treasury system, and contributed to the treasury reform at state-owned enterprises. It advanced the information connectivity between governments, industrial parks, enterprises and banks, realised the whole-process digitalisation of customer acquisition, batch credit extension and post-lending services, and built a new financial ecosystem for industrial parks. The Bank optimised personal pension account opening, contribution and asset management features for elderly customers, helping narrow the digital divide and making financial services more accessible. To serve the national strategies of high-level opening-up and expanding domestic demand, the Bank focused on key customer groups and businesses such as the enterprises committed to "Going Global" and "Bringing In" and the agency payroll payment business, established characteristic scenarios serving foreigners coming to China, Hong Kong and Macao residents in the Greater Bay Area, tourism, equity incentive, agency payroll payment and new energy vehicles, and enhanced the capability to serve niche customer groups.

✧ **Optimising globalised digital banking service channels.** For overseas institutions, the Bank improved the supporting internet banking system of local clearing network, assisting its overseas institutions in joining in the local market competition as local banks. For overseas corporate customers, the Bank established a coordination management platform featuring global expertise accessible at any point of contact, and enhanced the service ability across the board. It optimised more than 40 functions of the new version of overseas corporate online banking, and maintained a leading position among Chinese peers in terms of coverage of overseas corporate online banking. For overseas personal customers, the Bank released overseas personal mobile banking version 6.0, optimising interface operation and feature navigation, introducing more features, and comprehensively improving user experience. As at the end of 2023, the overseas corporate online banking was available in 56 countries and regions around the world, providing services in 14 languages, and the overseas personal mobile banking was available in 30 countries and regions around the world, providing services in 12 languages.

✧ **Steadily advancing the innovative application of e-CNY.** The Bank continued to diversify its e-CNY usage scenarios to cover rail transit, supermarkets and elderly care, providing universally applicable, convenient and efficient payment experience. It strengthened its digital infrastructure capacity with a focus on public service industries such as government affairs, housing construction and electric utilities. In support of rural revitalisation, the Bank trialed the use of digital currency smart contracts for targeted subsidies, paired poverty alleviation and inclusive loans, and launched an online "Clearing Pass" e-CNY commodities settlement service via Shanghai Clearing House, addressing the pain point of prolonged transaction times. Leveraging its advantages in terms of low threshold and high efficiency, the Bank launched the "BAMBOO" brand for digital currency services catering to foreign tourists in China. It contributed to standards formulation for hardware wallets, introduced the industry's first account-based hardware wallet, and produced a wide range of hardware wallet products such as mobile pay, SIM card, and employee card.

Commercial Banking in the Chinese Mainland

The Bank earnestly fulfilled its social and economic responsibilities, continually refined its financial supply and enhanced quality and efficiency of services, deeply integrating itself to serving the overall national situation as well as high-quality development of the Bank. In 2023, the Group's commercial banking business in the Chinese mainland recorded an operating income of RMB481.780 billion, an increase of RMB7.399 billion or 1.56% compared with the prior year. Details are summarised in the table below:

Unit: RMB million, except percentages

	2023		2022	
Items	**Amount**	**% of total**	Amount	% of total
Corporate banking business	**206,356**	**42.83%**	190,147	40.08%
Personal banking business	**244,640**	**50.78%**	227,269	47.91%
Treasury operations	**31,925**	**6.63%**	59,721	12.59%
Others	**(1,141)**	**(0.24%)**	(2,756)	(0.58%)
Total	**481,780**	**100.00%**	474,381	100.00%

Corporate Banking

Upholding the concept of high-quality development, the Bank continuously promoted the transformation of its corporate banking business. It increased credit support in key areas including technological innovation, green credit, inclusive finance, rural revitalisation, strategic emerging industries, the manufacturing industry and the private sector, and enhanced the quality of service support for the construction of industrial systems for advanced manufacturing and the digital economy. Leveraging its financial strength, the Bank served the coordinated development of regions such as the Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Economic Belt, assisting the implementation of national strategies. It built a comprehensive customer segmentation marketing management system so as to consolidate its development foundations. The Bank developed an integrated operational mechanism for marketing services covering the entire product line, and strengthened collaborative synergy, improving responsiveness to customer demands for financial products. In 2023, the Group's corporate banking business in the Chinese mainland recorded an operating income of RMB206.356 billion, an increase of RMB16.209 billion or 8.52% compared with the same period last year.

Corporate Deposits

Through scientific classification and precise policy implementation, the Bank built a comprehensive and tiered marketing management system to promote the coordinated development of its deposit business, both in terms of scale and pricing. Focusing on customers' diverse financial needs, it further enhanced its cross-industry services, comprehensive marketing awareness and all-round service capabilities. Moreover, by proactively integrating into the domestic and international dual circulations, the Bank strived to connect its business product channels for domestic settlement and international settlement, increased the flow of payments and settlements, and enhanced fund retention capacity. The Bank highlighted the strategic positioning of administrative business, provided commercial and intelligence services for local governments, strengthened the "head office to head office" docking, continued to promote the construction of a smart government ecosystem, improved the quality of financial services, and built a solid customer base. As at the end of 2023, RMB corporate deposits of the Bank's commercial banking business in the Chinese mainland totalled RMB8,734.736 billion, an increase of RMB1,202.022 billion or 15.96% compared with the prior year-end, and its market share of daily average RMB corporate deposits kept increasing. Foreign currency corporate deposits amounted to USD93.482 billion, an increase of USD3.248 billion or 3.60% compared with the same period last year, ranking first in market share among peers.

Corporate Loans

The Bank proactively performed its responsibilities, deeply implemented the national development strategy, and effectively improved the quality and efficiency of its services to the real economy. To serve the strategy of innovation-driven development, it actively promoted a shift in service focus from traditional industries to new industries, new business forms and models, increased credit granting to strategic emerging industries, and assisted in promoting the construction of a modern industrial system. To serve the nation's coordinated regional development strategy, the Bank adopted policies tailored to local conditions and supported the development of key regions including the Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, and Yangtze River Economic Belt to inject financial momentum into the high-quality development of regional economies. To serve the national strategy of expanding domestic demand, it continuously strengthened its inclusive finance services, accelerated the building of a scenario-based financial services ecosystem, made breakthroughs in online products, and assisted in deepening supply-side structural reform. To serve the national rural revitalisation strategy, the Bank provided services for modern agriculture and consolidated and expanded progress made in poverty alleviation. To serve the nation's ecological conservation strategy, it refined its green credit products and services and expanded its green credit activities. Its green credit growth rate, as well as the proportion of green credit within the Bank's total loans, ranked among the top in the industry. The Bank enhanced its brand reputation for green finance and assisted in sustainable economic and social development. To serve the "win-win" strategy of China's opening up, it focused on strengthening overseas economic and trade cooperation, and provided solid financial services to the Belt and Road Initiative. As at the end of 2023, RMB corporate loans of the Bank's operations in the Chinese mainland totalled RMB10,600.051 billion, an increase of RMB2,124.380 billion or 25.06% compared with the prior year-end. Foreign currency corporate loans totalled USD49.823 billion, an increase of USD7.449 billion or 17.58% compared with the prior year-end, maintaining the Bank's leading position among peers in terms of market share. Specifically, technology finance loans increased by 30.94%, loans granted to strategic emerging industries increased by 74.35%, and loans granted to manufacturing industries increased by 28.05% compared with the prior year-end.

Serving the Real Economy More Efficiently and Effectively

The Bank actively implemented the national strategic plan, served as the main force serving the real economy, and smoothed the domestic circulation.

Intensify support for key areas and weak links in the national economy. The Bank achieved progress in the development of green credit, with a focus on key areas such as 102 major projects in the "14th Five-Year Plan", infrastructure construction, and large-scale wind power and photovoltaic bases. It was the lead bank in the preparation of ESG-linked syndicated loans for COSCO Shipping Energy Transportation Co. Ltd., an affiliate of COSCO Shipping Group. It helped to promote new industrialisation by formulating the *Bank of China Work Plan to Support New Industrialisation*, and actively supporting key areas such as the smooth and safe operation of the industrial chain and supply chain, the improvement of industrial innovation capabilities, the optimisation of the industrial structure and the upgrading of the industrial system, as well as digital and green transformation of industry. It served the development of the private economy, actively implemented the "25 Article of Supporting the Private Economy", formulated the *Bank of China Action Plan to Support Private Enterprises to "Go Global"*, and held a special signing event to support enterprises to "go global". It increased the allocation of loans in agriculture-related fields, and continued to increase the market share. It seized the "blue ocean" opportunity of pension finance development, and the amount of the special central bank lending for inclusive elderly care services ranked among the top of the financial institutions taking part in the pilot programme. The Bank was also successfully appointed as the support institution by the National Development and Reform Commission to revitalise existing assets and expand effective investment.

Build a diversified and professional product service system. The Bank made overall plans and coordination, focused on key industries and key customers, gave full play to the linkage efficiency of commercial banks and investment banks, and made every effort to excel in cross-selling and comprehensive services. In 2023, as a joint lead underwriter, it issued the first scientific and technological innovation corporate bond for AVIC International and other clients; the Bank was appointed as the financial adviser of China Huaneng Group's joint underwriting business and formulated the *Bank of China Linkage Plan of Benefiting and Empowering Small and Micro Enterprises*, serving the business development of small and medium-sized foreign trade customers.

Strengthen the concept of "customer-centric" and continue to consolidate the customer base. Focusing on various types of customers such as large, medium, small and micro, the Bank optimised the hierarchical and classified management system, established a customer portrait and marketing service index evaluation system, clarified the working mechanism of marketing services for the whole product line of customers, improved the digitalisation of system functions and empowered customer development, and held a bank-wide customer manager skills competition to improve customer service skills. The number of credit customers continued to grow.

Financial Institutions Business

Leveraging on a global and integrated business platform, the Bank provided comprehensive and high-quality financial services to customers around the world, leading the industry in customer coverage rate.

Deepening comprehensive cooperation with financial institutions. The Bank strengthened collaboration with securities institutions, thoroughly explored market demands, and further increased its market share of third-party custodial funds. The Bank has maintained correspondent relationships with nearly 1,200 institutions around the world and has opened 1,464 cross-border RMB clearing accounts for correspondent banks from 112 countries and regions, thus securing a leading position among domestic banks. It promoted the RMB Cross-Border Interbank Payment System (CIPS) and established partnerships for indirect participants with 626 domestic and overseas financial institutions, ranking first in terms of market coverage. The Bank's custodian service for Qualified Foreign Investors (QFI) and its agency service for overseas central banks and other sovereign institutions held leading positions in the industry in terms of both customer base and business scale. It also ranked first in the amount of custodian bonds acting as an agent for foreign institutions to invest in the China interbank bond market (CIBM).

Building a comprehensive financial service platform. The Bank provided comprehensive one-stop financial services for multilateral institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB), assisting both in issuing Panda bonds as the lead underwriter. Closely monitoring the financial service needs of the Belt and Road Initiative, it supported the Arab Republic of Egypt in successfully issuing RMB sustainability-linked Panda bonds in the CIBM, the first ever Panda bonds from Africa, as the lead underwriter and bookrunner.

Actively promoting product innovation. The Bank facilitated the official launch of Swap Connect by serving as the sole major participating bank for central counterparty clearing and completed several initial participations across the Group on the first day of launch. It successfully launched an e-CNY programme for spot commodity clearing at Shanghai Clearing House, becoming one of the first spot commodity clearing members to provide digital currency clearing. It also rolled out the first cross-border digital currency settlement business for international members of Shanghai Gold Exchange. The Bank actively supported the construction of Shanghai International Reinsurance Centre, and became one of its first settlement banks. As the main foreign exchange settlement bank under Hong Kong Stock Connect and the sole clearing bank under Shanghai Stock Connect and Shenzhen Stock Connect, the Bank supported the official launch of the optimised trading calendar of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, thus further enhancing stock market connectivity mechanisms between the Chinese mainland and Hong Kong.

Transaction Banking

The Bank deeply implemented national development strategies, and properly leveraged domestic and international markets and resources in order to foster steady progress in transaction banking and contribute to the new development pattern.

Capitalising on the strengths of its traditional businesses and promoting stable scale and structural optimisation in foreign trade. The Bank issued a series of action plans, including the *Action Plan for Serving Import and Export Enterprises* and the *Action Plan for Strengthening Credit Support to Foreign Trade Customers*, and continued to increase financial support to stabilise foreign trade. By expanding financial supply, the international settlement volume of the Group and its institutions in the Chinese mainland reached USD8 trillion and USD3.4 trillion in equivalent respectively, further sharpening the Bank's competitive advantages. Acting as a high-level strategic partner, the Bank provided high-quality services for the organisation of major exhibitions such as the China International Import Expo (CIIE), China Import and Export Fair (Canton Fair), China International Fair for Trade in Services (CIFTIS), China International Consumer Products Expo (CICPE) and China International Fair for Investment and Trade (CIFIT) and helping enterprises to expand their market reach and strengthen their competitive positions. It continued to consolidate its competitive advantages in core products, with international trade settlement, cross-border RMB settlement, foreign currency trade finance, cross-border letter of guarantee and cross-border cash management all leading the industry in terms of market share.

Making innovations rooted in tradition and continually refining "BOC Smart Chain" service system. The Bank has developed an online service system for comprehensive supply chain financing, covering bills, factoring, L/C and other products to meet customers' all-round service needs. Focusing on national strategies and key areas, the Bank increased its industry coverage, introduced services for the electronic information chain and the food and beverage chain, and upgraded the "BOC Smart Chain" service system. It accelerated the online transformation of its factoring business, with its online factoring financing volume increasing by 90% year-on-year in 2023.

Embracing the guiding role of technology and accelerating digital transformation in transaction banking. As the sole financial institution to participate in the Alliance for Digital Cooperation and Innovation in Shipping Trade, the Bank co-created a national public service platform for the digitalisation of shipping. Utilising its next-generation commercial billing system, the Bank introduced new functions while successfully integrating with the Shanghai Commercial Paper Exchange Corporation's new system. It launched its "BOC Digital Confirmation" service, offering full-process intelligent electronic confirmation solutions and realising fully automated processing and one-click customer engagement. The Bank also upgraded its "BOC Cross-border Remittance Express" product, launching a whole-process online connection service for cross-border collection and payment in multiple currencies across all channels. As one of the first batch of pilot banks in advancing the foreign exchange banking reform, the Bank successfully launched the related systems, achieving systematic management of cross-border customer ratings and transaction monitoring, continuously enhancing the customer service experience.

The Bank won the "Outstanding Participating Institution of Digital Supply Chain Financial Service Platform Award" from the General Clearing Centre of the People's Bank of China, "Outstanding Comprehensive Business Institution" from the Shanghai Commercial Paper Exchange Corporation, "Best RMB Bank" from *The Asset*, "Best Supply Chain Finance Bank" and "Best Cash Management Bank" from Trade Finance magazine, etc., demonstrating its professional advantages in transaction banking.

Inclusive Finance

The Bank proactively provided services to ensure people's livelihood, continued to improve financial services for micro and small-sized enterprises, enhanced service precision in key areas, hence playing its due role in supporting industrial development.

Strengthening financial support for inclusive finance. The Bank established a long-acting mechanism to stabilise and promote employment, organised the "Inclusive Loan for Employment Promotion" themed event, and granted special loans to enterprises which have made outstanding contributions to stabilising and expanding employment. It also provided credit support for agriculture-related fields. As at the end of 2023, the balance of the Bank's agriculture-related loans stood at RMB2.66 trillion, an increase of 28.53% compared with the prior year-end, outpacing the average growth rate of the Bank's total loans.

Closely following national strategies and providing targeted and efficient services. The Bank optimised technology finance business, established financial service systems for micro and small-sized enterprises working in technological innovation, and continued to promote its intellectual property pledge financing business. Focusing on the lifecycle development stages of specialised and sophisticated SMEs, it provided a comprehensive package of investment, loan, bond, securities, leasing and insurance services, etc. More than RMB260.0 billion of credit facilities were granted to over 15,000 specialised and sophisticated SMEs at national and provincial levels. The Bank continued to develop scenarios based on "circles, chains and groups", provide batch services for inclusive finance customers, and implement the national strategy of expanding supply chains while safeguarding their stability.

Accelerating digital transformation and leveraging digital finance for empowerment. The Bank increased and improved the online supply of financial resources and constantly refined the "BOC Quick Loan" product system to cover diversified customer groups and major scenarios. It optimised online channel service functions and improved the "BOC Inclusive Finance" and "BOC E-Cooperation" apps. The "BOC Inclusive Finance" app was honoured with "Innovation Model Award" in the selection of "2023 Excellent Cases of Inclusive Finance" by people.cn, and was awarded "Typical Cases of Inclusive Finance in China (2023)" by the China Banking Association. The Bank also optimised the intelligent and inclusive business operation platform and continuously improved the efficiency of business management.

Promoting high-level opening up and building a cross-border matchmaking ecosystem. In 2023, the Bank successfully held 19 supply-demand matchmaking events. It has provided high-quality services for the CIIE for six consecutive years. It actively contributed to such major national exhibitions as the China International Fair for Trade in Services (CIFTIS), China International Fair for Investment and Trade (CIFIT) in Xiamen, China-South Asia Expo, and China-Arab States Expo, thus consolidating effectiveness and outcome of matchmaking. Leveraging the "BOC E-Cooperation" platform, it established a cross-border matchmaking ecosystem backed by comprehensive worldwide services, built multiple featured sections, and helped numerous local governments to attract more foreign investment. As at the end of 2023, it had provided "financing + intelligent" value-added services to more than 50,000 enterprises from 126 countries and regions. Letters of intent totalled more than 10,000, with the intended amount exceeding USD54.0 billion.

Pension Business

The Bank adhered to the national strategy of actively responding to the aging population. Focusing on establishing the national elderly care security system, the Bank developed and improved pension products and services for the elderly and continued to provide a range of products including enterprise annuities, occupational annuities and personal pensions, etc., thus satisfying customers' demands for pension finance. It also fully supported the development of the silver economy. As at the end of 2023, pension funds held in trust by the Bank reached RMB209.886 billion, an increase of RMB39.643 billion or 23.29% compared with the prior year-end. Enterprise annuity individual accounts held by the Bank reached 4.1237 million, an increase of 0.2249 million or 5.77% compared with the prior year-end. Pension assets under custody amounted to RMB992.390 billion, an increase of RMB85.788 billion or 9.46% compared with the prior year-end. The Bank provided enterprise annuity services for more than 18,200 institutional clients.

Personal Banking

The Bank adhered to customer-oriented and technology-driven strategies to foster the systematic aggregation of its business offerings and the integration of products and services, with a view to establishing itself as a leading bank in full-stack personal banking. As at the end of 2023, the Bank's commercial banking business in the Chinese mainland had more than 525 million personal customers, an increase of 3.80% compared with the prior year-end, outpacing its comparable peers in terms of year-on-year growth rate. In 2023, the Bank's personal banking business in the Chinese mainland realised an operating income of RMB244.640 billion, an increase of RMB17.371 billion or 7.64% compared with the prior-year.

Account Management Business

The Bank continued to offer inclusive and high-quality account management services. It enhanced its personal pension services, comprehensively upgraded the personal pension sections of its mobile banking platform and optimised related systems and functions, and provided a one-stop comprehensive pension scheme covering pension account opening, contribution and asset management, etc. The Bank maintained a leading market position among its comparable peers in terms of the number of personal pension mutual funds. The Bank actively reduced fees and made profit concessions, providing fee waivers on personal debit card annual fees and management fees for petty accounts. It continued to promote "the Chinese mainland personal account opening witness service" (known as the "Greater Bay Area Account Opening" service), facilitating the opening of mainland personal bank settlement accounts for residents of Hong Kong (China) and Macao (China).

The Bank was recognised as a "Top Ten Elderly Care Financial Institution of the Year" in the 2023 China Financial Value Ranking of *CBN*.

Wealth Finance Business

The Bank consistently implemented the national strategy of "common prosperity", striving to enhance customers' financial well-being and satisfaction by improving the customer coverage and quality of its wealth management business. It established a diversified investment product shelf based on a "Market-wide and Group-wide" approach to select high-quality products, dynamically optimised the product range according to market conditions, continuously improved its multi-term, multi-strategy product system, and steadily expanded cooperation with wealth management companies. As at the end of 2023, the Bank had established partnerships with 13 wealth management companies, maintaining a leading market position among its comparable peers. To provide personalised asset allocation advice, it upgraded its specialised asset allocation services and optimised the "allocation among four asset classes" module in the asset analysis section of its mobile banking platform. It expedited the shift to a comprehensive, whole-process customer support model that covers pre-investment, investment and post-investment. Combining the professional research efforts across the Group, the Bank optimised "BOC Investment Strategy", a global investment strategy information service system covering major asset categories and different time intervals. It further improved the online operating ecosystem of its mobile banking "On-line Wealth Community" with 43 financial institution participants covering funds, insurance, brokerage, wealth management and other businesses, strengthening investment education and service support throughout customer investment. As at the end of 2023, the financial assets of the Group's personal customers under management exceeded RMB14.29 trillion, with a steady increase in both the customer base and assets under management of medium and high-end customers. The Bank established 8,162 wealth management centres and 1,109 prestigious wealth management centres in the Chinese mainland.

The Bank was awarded the "Best Fund Sales Bank for Mutual Funds in 25 Years (Major State-Owned Banks)" in the China Fund Yinghua Awards organised by *China Fund News* and the "Capital Securities Cup – 4th Golden Bull Award for Banking Wealth Management – Golden Bull Award for Agent Sales of Wealth Management Products" from *China Securities Journal*.

Consumer Finance Business

The Bank intensified its efforts to expand its consumer finance business to serve the high-quality development of the real economy. As at the end of 2023, the RMB personal loan balance of the Group's commercial banks in the Chinese mainland totalled RMB5,827.122 billion, an increase of RMB146.012 billion or 2.57% compared with the prior year-end.

Supporting the steady and healthy development of the real estate market. The Bank made timely adjustments to its housing credit policy and provided differentiated housing loan services. It continually increased the intensity of housing loan, and cumulatively granted over RMB600.0 billion of housing loans in 2023, leading its peers in year-on-year growth. The Bank implemented regulatory requirements for interest rate adjustments for existing first-home loans and made every effort to embed policies and adjust interest rates for customers.

Focusing on promoting steady consumption growth. The Bank continuously improved services for key consumer areas, built diversified scenarios and accelerated online transformation. It reinforced its advantages in traditional strengths such as auto instalment loans, deepened collaboration with key private and corporate brands, expanded channel coverage and improved the digital service experience. The Bank vigorously promoted the development of home decoration instalment loans tailored to local conditions to boost home furnishing purchases. Furthermore, it gave full play to the flexible features of its instalment business through the "Family Consumption Reserve Fund", serving different customer groups. The Bank also promoted white-list precision marketing to serve consumption demand in various lifestyle scenarios.

Improving the availability and convenience of consumer financial services. The Bank grew its non-housing consumer loan business in terms of both customer coverage and scale, and continued to accelerate the pace of digital transformation. The Bank actively implemented the policy of interest exemption and deferred repayment for government-sponsored student loans, launched the first commercial student loans for postgraduates in the Chinese mainland, and promoted the coordinated development of government-sponsored student loans by campus and place of origin, thereby expanding the scope of its business services.

Private Banking Business

The bank adhered to the concept of "private banking driven by the Group's strength", leveraging the Group's diversified resources to create full-cycle, multi-scenario and customised wealth management service. It improved its "BOC All-round Investment Strategy" information service system based on daily, weekly, monthly, quarterly, and annual investment strategy reports, built a "Market-wide, Group-wide and round-the-clock" private banking products shelf available, iterated its customised services and asset allocation capabilities according to customer needs, and provided comprehensive services to clients throughout the investment process. It promoted its "Entrepreneur Office" service, creating a multi-layer, multi-class comprehensive service system to support the development of entrepreneurs. Moreover, it accelerated the development of its family trust business, with the number of family trust service customers increasing by 72.95% compared with the prior year-end. It set up charitable family trusts for art and education purposes, and assisted corporate clients set up charitable trust. It offered business financing credit service for entrepreneurs, assisted customers in launching several Employee Stock Ownership

Plans (ESOP), and organised several sessions of "GBIC (Government, Banks, Investment Banks and Insurance, Clients) Development Forum". The Bank fulfilled its social responsibilities by providing a variety of products with public welfare features. It also deepened coordination between its domestic and overseas institutions and sharpened the advantages of its globally integrated services. It optimised the network of its private banking centres by establishing 191 private banking centres in the Chinese mainland. As at the end of 2023, the Group had over 173,700 private banking customers with RMB2.69 trillion of financial assets under management.

In 2023, the Bank was honoured with numerous awards including "Best Mega Private Bank in China" from *The Asian Banker*, "Best Private Bank – National (Gold Award)", "Best Private Bank – Ultra-High Net Worth (Gold Award)" and "Best Private Bank – Investment Services and Research (Gold Award)" from *Asian Private Banker*, "Best Private Bank for Entrepreneurs" from *Global Finance*, "2023 Excellent Case of Family Trust Management Innovation" from *The Banker*. A total of 15 private banking centres of the Bank were listed in the Top 100 Private Banking Centres by *Retail Banking* magazine.

Personal Foreign Exchange Business

To promote the national strategy of high-level opening up, the Bank continued to optimise its personal foreign exchange services with a view to consolidating its leading market position. It successfully digitalised traditional business service processes and supported the conversion of several foreign currencies into e-CNY via self-service exchange machines, a service that has now been expanded to cover Indonesian rupiah, Philippine peso and Saudi riyal. It delivered foreign exchange services in eight languages covering 21 currencies and 169 denominations. Its foreign exchange cash reservation service was available in major cities in the Chinese mainland and via multiple channels such as mobile banking, WeChat banking and online banking, and its appointment service was integrated into platforms such as China's online government affairs service platform and the JegoTrip app. As at the end of 2023, the Bank outperformed peers in terms of personal cross-border business income, business volume of foreign currency exchange volume and market share of foreign currency personal deposits. It offered personal foreign currency deposit and withdrawal services in 25 currencies and personal foreign exchange services in 39 currencies, securing a leading position among domestic peers.

Bank Card Business

Focusing on customers' all-round needs, the Bank fully explored the business development potential of its bank card business and continuously enhanced its brand competitiveness.

Enhancing the quality and efficiency of debit card services and making steady progress towards financial services that benefit the people. The Bank adopted an integrated online and offline service mode for social security card business, enhanced physical social security card services and promoted electronic social security cards. As at the end of 2023, the Bank had cumulatively issued 121.9701 million physical social security cards and 33.9121 million electronic social security cards. To support the nation's rural revitalisation strategy, the Bank enthusiastically promoted rural revitalisation themed debit cards, with a total of 3.1911 million cards issued.

Leveraging professional credit card service capabilities to implement the national consumption policy. The Bank fulfilled green finance requirements, expanded channel coverage, strengthened full-process business support and contributed to the growth of the new energy vehicle market. It has established Head Office-to-headquarters cooperation relationships with several new energy vehicle enterprises. Leveraging its merchant instalment payment business, the Bank launched the "Hundred Cities and Thousand Stores" green home appliance instalment promotion campaign in cooperation with national home appliance chain enterprises and online shopping websites, thus stimulating consumption of green home appliances and electronic products. Emphasising digital card products, it introduced or upgraded a number of digital card products suitable for business travel, supermarkets, sports, entertainment, women and new urban citizens, as well as issuing physical cards according to customer needs. To improve the digital experience of credit card application and use, it also rolled out functions such as source card binding, post-activation card binding of payment institution, and online application for supplementary cards. Focusing on people's livelihood consumption scenarios, the Bank carried out marketing campaigns with mainstream payment institutions to promote card binding and discounts for mobile payment. During peak consumption periods, it collaborated with merchants in the catering, shopping, hotel, air travel, tourism and other sectors to carry out marketing campaigns offering discounts for credit card payment. The Bank enabled the rapid redemption of reward points for purchases, thus realising closed-loop marketing based on earning and redeeming reward points from purchases. Robustly supporting the nation's key strategic projects, the Bank delivered marketing campaigns at the CIIE. To bolster the development of cities as international consumption centres, it also offered discounts for purchases made in key business districts designated by local governments. The Bank supported the development of business districts in the Yangtze River Economic Belt, cooperated with China UnionPay on campaigns in business districts in the Yangtze River Delta and Chengdu-Chongqing region, expanded coverage of high-quality merchants and created more consumption scenarios. The Bank intensified efforts to improve its intelligent risk control capabilities, strengthened disposal of non-performing assets by various means, and maintained stable credit card asset quality.

As at the end of 2023, the Bank had issued a total of 676.5517 million debit card and 144.1019 million credit cards, a year-on-year increase of 4.50% and 4.22% respectively. The balance of credit card loans reached RMB551.366 billion, a year on year increase of 8.38%. In 2023, debit card and credit card transaction volume amounted to RMB9,411.964 billion and RMB1,393.235 billion, respectively. The total instalment volume of credit cards stood at RMB354.848 billion.

Payment Merchant Business

With a focus on customer experience, the Bank remained committed to providing convenient and efficient all-round payment services. Embracing the concept of "payment for the people", it introduced a one-click multi-card binding function in its mobile banking and smart counter channels, realised quick card linking on mainstream payment platforms without page redirection, and further improved the card linking process experience for customers. To make rail travel more pleasant and efficient, the Bank expanded the coverage of its Railway e-Card services to 82 inter-city railway lines, covering key areas such as the Beijing-Tianjin-Hebei region, Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area, serving over 30 million journeys. It explored micro-payment scenarios that benefit people's livelihood and expanded the coverage of its mobile banking QR code services for public transport. The Bank successfully completed the building of payment acceptance environments for large international events such as the 31th Summer Universiade (Chengdu), the 19th Hangzhou Asian Games and the CIIE, and provided convenient, high-quality, secure and efficient bank card payment services for overseas visitors to China.

Financial Markets Business

The Bank closely tracked global financial market dynamics, leveraged its unique advantages in financial markets business, stepped up efforts to ensure prudent operations and compliance with regulatory requirements, and continually adjusted its business structure, thus advancing the high-quality development of its financial markets business.

Securities Investment Business

The Bank strengthened its professional forecasting and analysis of macroeconomic and financial market trends, dynamically optimised its investment structure, and effectively balanced market risk and investment opportunities. It supported the development of the real economy, increased investment in Chinese government bonds, local government bonds, green bonds and other key fields, and retained its position as a leading investor in green financing instruments. To cope with a challenging market environment, the Bank capitalised on its specialist advantages, optimised the product and currency structure of its investment portfolios, and seized market opportunities to significantly increase its foreign currency portfolio yield while properly controlling risks.

Trading Business

The Bank refined its financial markets service system, enhanced its comprehensive customer service capabilities and consolidated the foundations of its high-quality development.

Continuously sharpening market advantages. The Bank provided 40 currencies available for exchange, outperforming the domestic market in terms of the total number of tradable foreign currencies, and expanded its leading market share in foreign currency exchange against RMB. The Bank performed its duties as a core market maker in various fields. It was awarded "Best RMB Foreign Exchange Market Maker" and multiple annual market influence awards in the interbank foreign exchange market ratings; "Leading Institution in the Bond Market" by China Central Depository & Clearing Co., Ltd. in 2023; and "Northbound Top Market Maker" for serving the country's two-way opening up. The Bank was one of the first batch of domestic market makers for "Swap Connect" business, and led the market in volumes of bond custody for overseas institutions. It also remained the leading market maker for precious metals of Shanghai Gold Exchange and Shanghai Futures Exchange. In addition, the Bank consolidated its leading position in uncleared initial and variation margin fields, improved its collateral management mechanisms and infrastructure, and was awarded "Outstanding Pioneer Institution in Collateral Business" issued by China Central Depository & Clearing Co., Ltd. in 2023.

Vigorously serving the development of the real economy. The Bank actively publicised the concept of FX risk neutrality and made comprehensive use of financial market trading instruments to assist enterprises in managing their FX risk. By innovating its service model for micro, small and medium-sized enterprises (MSMEs), it helped them prevent FX risk under extreme market circumstances, as well as enhancing the quality and efficiency of its FX hedging services for inclusive finance clients.

Accelerating innovation momentum. The Bank enriched its product system, improved its product management structure, and accomplished several groundbreaking regulatory or infrastructure innovation initiatives with the successful launch of the "first deals" and the "initial batch". It steadily carried out derivatives business based on the new benchmark interest rates, continuously optimising its product lineup.

Robustly consolidating lines of defence against risk. The Bank continuously improved its risk control rules and risk management mechanisms, and conducted more forward-looking, proactive and professional analysis and judgement of financial markets. It responded quickly and effectively to market changes, ensured stable operations, and continuously improved its risk control capability.

Investment Banking Business

Fully leveraging the advantages arising from its globalised operations and diversified business platform, focus on the diversified financing needs of customers with comprehensive, professional and customised "onshore + offshore" and "financing + intelligence" integrated financial services plans, including financial products and services such as bond underwriting and distribution, asset-backed securitisation (ABS), and professional M&A financial advisory services, etc.

Facilitating the development of China's multi-layered capital markets with professional services. The Bank supported customers' direct financing needs, the amount of bond underwriting volume of the Bank ranked among the top in China's interbank bond market, and the sales volume of credit bonds of the National Association of Dealers continued to rank first in the market. It actively promoted the development of green finance, maintaining a leading market position in both green bond and asset-backed securitisation (ABS) underwriting. The Bank continually enhanced the effectiveness and efficiency of its professional financial advisory services. Leveraging a comprehensive "online + offline" multi-scenario approach, it delivered a range of services including financial market analysis, industry analysis, investment and M&A case analysis, as well as domestic and overseas regional research. In addition, the Bank offered project-specific financial advisory services, with a special focus on M&A, equity investment and financing, project financing, debt restructuring, asset divestiture, and other strategic initiatives, thus offering dedicated support to assist clients with their industrial chain expansion goals and high-quality development strategies.

Continuing to hone its competitive advantages in cross-border business. It helped overseas issuers including the Arab Republic of Egypt, Asian Infrastructure Investment Bank and New Development Bank to issue Panda bonds, maintaining its leading position in Panda bonds in terms of market share. The Bank continued to top the offshore China bond underwriting league table, helping to channel international investment to support the real economy, and underwrote the first sovereign Panda bond from Africa. Serving as global coordinator, the Bank helped the Ministry of Finance of the People's Republic of China to issue an RMB5.0 billion sovereign bond in Macao. As lead underwriter, the Bank assisted the Shenzhen, Guangdong and Hainan local governments to successfully issue offshore RMB local government bonds. This promoted the development of Hainan Free Trade Port, facilitated the integration of Hainan and the Guangdong-Hong Kong-Macao Greater Bay Area, and contributed to financial market growth in Hong Kong and Macao.

Prudently developing its credit asset-backed securitisation business. In 2023, the Bank issued eight NPL asset-backed securitisations with a total issuance volume of RMB4.854 billion.

During the year, the Bank won the Bond Connect's "Primary Market Innovation Award (Underwriter)", continuing to enhance its brand influence in debt capital markets.

Asset Management Business

With a focus on major national priorities, the Bank contributed to the overall management and top-level design of the asset management sector through the Asset Management Business Committee. It seized market opportunities arising from the new development stage, such as continuous growth in residents' wealth and the construction of the third pillar of elderly care, advanced the high-quality development of its asset management business by comprehensively improving its investment and research capabilities, strengthening the foundations of its customer base and accelerating digital transformation.

Actively serving the real economy and managing the people's wealth. The Bank conducts asset management business through institutions such as BOC Wealth Management, BOCIM, BOCI China, BOC Asset Investment, BOC Hong Kong Asset Management and BOCI-Prudential Asset Management Co., Ltd. Together, these institutions provide individual and institutional investors with local and foreign currency products across a full range of asset categories, as well as diversified investment strategies and services across the entire investment cycle. This includes constantly innovating, enriching and issuing new products with various characteristics and themes, such as "green", "elderly care" and "technology". At the same time, all of the Bank's asset management businesses are committed to implementing regulatory requirements, adhering to the compliance "bottom line", strengthening comprehensive risk management, maintaining smooth business operations during market fluctuations and effectively safeguarding investors' interests. As at the end of 2023, the scale of the Group's asset management business reached RMB3 trillion, achieving continued growth in market influence.

Custody Business

Focusing on providing high-quality financial services to support economic and social development, the Bank comprehensively improved the service quality and operational efficiency of its asset custody business. It actively promoted pension finance, with pension funds under custody reaching RMB1.72 trillion, an increase of RMB239.7 billion over the prior year-end. In 2023, the Bank established eight pension funds of funds (FOFs), ranking among the market leaders, and provided custody services for a number of exclusive commercial pension insurance schemes and commercial pension products. It supported the development of green finance and provided custody services for green industry funds, green bond issuance funds and other products. Its scale of green assets under custody exceeded RMB75.0 billion, achieving a growth rate of over 30% for the third consecutive year. To control risk in its custody operations, the Bank carried out emergency drills and stress-tested its off-site disaster recovery continuity plans, thus continuously improving its emergency response capability. As at the end of 2023, the Group's assets under custody reached RMB17.37 trillion, up 5.19% from the prior year-end, while its custody fee income continued to lead the market.

Village Bank

As an important platform for implementing the nation's rural revitalisation strategy, BOC Fullerton Community Bank is committed to providing modern financial services to county-level micro and small-sized enterprises, individual merchants, wage earners and farmers with the aim of "focusing on county area development, supporting farmers and small-sized enterprises, and growing together with communities". As at the end of 2023, BOC Fullerton Community Bank had established 134 village banks with 189 sub-branches in 22 provinces (including municipalities directly under the Central Government). Its registered capital amounted to RMB10.585 billion, with total assets and net assets standing at RMB109.298 billion and RMB15.379 billion respectively. In 2023, BOC Fullerton Community Bank achieved a profit for the year of RMB481 million.

BOC Fullerton Community Bank continually improved its product and service system, further expanding its customer base and business scale. Serving the real economy, BOC Fullerton Community Bank increased support for micro and small-sized enterprises and individual merchants. It also boosted rural revitalisation and improved the quality and efficiency of services to agriculture-related entities such as large-scale planting and breeding households and family farms. It delivered financial services to households and villages and pressed ahead with digital transformation, thus unblocking "last mile" barriers to county-level financial services. It also set up and optimised a comprehensive risk management system for business lines that supports farmers and small-sized enterprises, thus maintaining good asset quality. The NPL ratio was 1.77%, and the ratio of allowance for loan impairment losses to NPLs was 205.29%. As at the end of 2023, the balances of the total deposits and loans of its banks stood at RMB72.962 billion and RMB79.520 billion, respectively.

BOC Fullerton Community Bank was awarded "Inclusive Finance Case (for Banks and Insurance Companies) " by China Financial Press, "2023 Excellent Case of Financial Services for Rural Revitalisation" by Jinrongjie.com, "2023 Model Case of Financial Services for Farmers by Village Banks" by China Rural Credit Cooperatives News, "Outstanding Lead Sponsor among Village Banks" by China Association for the Promotion of County and Town Economic Exchange and *Contemporary County Economy*, "Excellent Practice Case of Financial Services for Rural Revitalisation (2022-2023)" by China Urban and Rural Finance News and many other social honors.

Globalised Operation

As the most globalised Chinese bank, the Bank continued to leverage its unique advantages, supported the nation's high-level opening up, and boosted the domestic economy while contributing to the new "dual-circulation" development pattern.

The Bank realised steady and orderly development of its globalised businesses, and constantly improved its ability to create value. The Bank continued to explore market opportunities, with a focus on cross-border finance, green finance, the high-quality joint development of the Belt and Road, RMB internationalisation, the development of international financial centres in Shanghai and Hong Kong, and overseas personal banking services. It also deepened Group-level governance, focused on its main businesses, tapped the potential of overseas markets and continuously enhanced market competitiveness. It continued to globally strengthen its risk compliance and safe operation capabilities to achieve sustainable development. As at the end of 2023, the Bank's overseas commercial banking business realised customer deposits and loans of USD552.134 billion and USD434.702 billion respectively, an increase of 6.28% and 0.88% compared with the prior year-end. In 2023, the Bank's overseas commercial banking business achieved a profit before income tax of USD8.084 billion, an increase of 5.89% compared with the same period of the prior year, contributing to 19.21% of the Group's total profit before income tax.

The Bank continued to optimise its global service network to meet the financial services needs of its global clients. As at the end of 2023, the Bank had 534 overseas institutions in 64 countries and regions, including 44 countries along the Belt and Road. The BOC Papua New Guinea Representative Office and BOC Riyadh Branch were opened for business in June 2023 and September 2023, respectively.

The Bank continued to improve the regional and intensive development mechanism of its overseas institutions, and cultivated synergies to drive coordinated growth. The Bank steadily pushed forward the development of its overseas regional headquarters. Specifically, BOCHK continuously deepened the regional management of its branches in Southeast Asia. Bank of China (Europe) S.A. effectively enhanced its regional management and intensive operations capability in the EU, the BOC (Europe) Shared Service Centre was inaugurated, thus improving its service quality and efficiency. A regional coordination mechanism for BOC institutions in Latin America, South Asia and the South Pacific was put into operation, further strengthening regional collaboration and leveraging synergy among the institutions.

The Bank continued to adopt differentiated management of its branches and subsidiaries outside the Chinese mainland, and stimulated their development. The Bank reviewed and revised its market-by-market growth strategies in order to further consolidate its stable development foundations and enhance service synergies across the Group. In this way, it refined its ability to provide world-class financial services for customers' high-quality "Bringing In" and "Going Global" efforts.

Corporate Banking

The Bank gave full play to its globalised and integrated advantages, closely tracked global market dynamics, strengthened research on market trends, bolstered risk management and took effective measures in line with local conditions in order to maintain continued stable growth in its overseas institutions' financial business, support the construction of the new "dual-circulation" development pattern, and make positive contributions to China's economic development and the global economic recovery.

Making fresh progress towards the high-quality joint construction of the Belt and Road Initiative. It has followed up on more than 1,000 corporate credit projects along the Belt and Road, and provided various credit facilities that cumulatively exceed USD316.0 billion. Attending the Third Belt and Road Forum for International Cooperation, the Bank signed contracts for eight projects during the on-site Belt and Road CEO Conference, with 13 deliverables being incorporated in the *List of Practical Cooperation Deliverables of the Third Belt and Road Forum for International Cooperation*.

Promoting the coordinated development of domestic and overseas institutions, and further exploring business opportunities from bilateral trade and investment. With the "Chinese Element" in mind, the Bank continuously improved its bilateral trade information sharing mechanism as well as its product system for new cross-border e-commerce businesses, providing such enterprises with cross-border settlement services amounting to RMB580.0 billion, representing year-on-year growth of 118%. It forged links with 28 market procurement platforms, covering most of the pilot provinces for market procurement trade and leading the industry in terms of platform coverage. Operating at the vanguard of cross-border trade and investment facilitation reform, the Bank leveraged its global cash management product strengths to provide multinational enterprises with centralised cross-border fund management services, maintaining its leading market share. It continued to refine its overseas cash management functions and constantly enhanced its integrated service capabilities. The number of contracted accounts in overseas cash management business increased by 24.47% compared to the end of the previous year.

Giving full play to the advantages arising from its global institution network to steadily boost its international influence. The Bank engaged in comprehensive cooperation with a diverse array of financial institutions in such areas as clearing, settlement, lending, investment, custody, treasury operations and capital market services, further expanding its customer base. Responding nimbly to market fluctuations, it provided market advice to overseas institutional clients and promoted the investment value of RMB to medium and long-term investors around the world. As a result, it enjoyed steady growth in its overseas institutional investor customer base. Furthermore, the Bank capitalised on its international partnership network, drew on its advanced global expertise and established a peer communication and cooperation mechanism to continually strengthen its participation in ESG-related initiatives worldwide. The Bank helped to deepen and expand the interconnection and cooperation between the capital market and overseas markets, and actively participated in the construction of financial factor market platforms and business innovation in the areas of "Swap Connect" and "Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect"; supported the construction of Shanghai International Reinsurance Centre, actively integrated into the design and marketing of the international reinsurance board and became the main cooperative bank of the platform. The Bank gave full play to the characteristics of global operation, and provided a package of integrated financial services such as cross-border fund settlement, foreign currency exchange, exchange rate hedging and other comprehensive financial services for the new institutions of the reinsurance platform.

Enhance Cross-border Service Capabilities and Facilitate High-level Opening-up

The Bank actively played its role as the main channel of foreign trade and finance, gave full play to the advantages of globalisation and integration, and actively helped stabilise the core market for foreign trade and foreign investment, and contributed to the international circulation.

Strive to provide excellent services to "Going Global" enterprises. The Bank closely followed the "Going Global" enterprises, optimised its global resource allocation, providing its customers with financial services featuring global expertise and all-round accessible at any point of contact, and collaboratively promoted breakthroughs in key businesses, including promoting the smooth financing and closure of China Telecom's first overseas greenfield project in China's telecommunications industry, China Telecom's Philippine PTO project, as the initial appointed lead bank, and won the "2023 Best Project Financing Deal in Southeast Asia" awarded by *FinanceAsia*; the Bank also exclusively provided export buyer's credit financing for the world's largest river-sea intermodal LNG carrier "Dapeng Princess", and helped the first LNG carrier of Shenzhen state-owned assets to be delivered smoothly.

Continue to consolidate and enhance its position as the preferred Chinese commercial bank for the Belt and Road Initiative. Adhering to the goal of "high standards, sustainability and people's livelihood", the Bank actively supported high-quality Belt and Road cooperation, and promoted the implementation of several landmark projects, including: acting as mandated lead arranger, the Bank successfully organised B-loan syndication for ACWA Power Bash and Dzhankeldy two 500MW wind power projects in Uzbekistan, the largest single wind power project in Central Asia; the Bank successfully organised a RMB40.0 billion syndicated bank term loan for BASF's Zhanjiang Verbund site and served as the sole coordinating mandated lead arranger, active bookrunner, agent bank and account bank; the syndicate's market share in the Asia-Pacific region remained the first in the industry; the market share of cross-border M&A remained leading position, and ranked first in the M&A financing category in the Asia-Pacific region (excluding Japan) again.

T**he Bank vigorously expanded overseas customer base.** The Bank improved its market competitiveness of cross-border investment and financing products, and continued to expand the advantages that led its peers in global cash management, syndicated loans, cross-border merger and acquisition loans, foreign-related letters of guarantee, bond underwriting, cross-border custody, and other competitive products. In 2023, by acting multiple roles such as co-lead bank, the Bank successfully participated in the Rio Grande LNG project, achieving the largest greenfield energy project financing in U.S. history ever, which won the "2023 Americas Deal of the Year" award by *Project Finance International (PFI)*.

Personal Banking

Leveraging its advantages in globalised operations, the Bank continued to enrich its overseas personal banking products and services. With a focus on meeting local and cross-border financial service needs, the Bank provided customers with comprehensive services including account management, savings, settlement and electronic banking, as well as wealth management and private banking services in countries and regions such as Hong Kong (China), Macao (China) and Singapore. As at the end of 2023, the Bank had established its overseas personal banking presence in over 30 countries and regions, serving over 7.00 million customers and recording consistent growth in customer scale.

Promoting market connectivity in the Guangdong-Hong Kong-Macao Greater Bay Area. The Bank actively promoted the "Cross-boundary Wealth Management Connect" services, amassing over 44,700 subscribers as at the end of 2023 and maintaining a market-leading position. It continued to promote "Greater Bay Area Account Opening" service, meeting the demand of residents from Hong Kong (China) and Macao (China) for opening mainland personal bank settlement accounts, continuously consolidating the product's advantages.

Meeting overseas customers' personal loan needs. With an emphasis on compliance and steady growth, the Bank promoted the differentiated development of overseas sub-regional classifications, and continued to improve the ability of refined risk management. In 2023, positive growth was achieved in the scale of its overseas personal loan business.

Enhancing the competitiveness of cross-border credit card products. The Bank established a cross-border rights and interests system covering overseas study, tourism and commerce, and optimised the cross-border card usage experience for customers. Underscoring the distinctive characteristics of its cross-border offering, it carried out cashback offers for cross-border consumption under the "Global Wonderful" theme as well as a "reward points for overseas consumption" campaign with Zhuo Jun Card. It offered preferential deals at merchants in Hong Kong and Macao in collaboration with BOCHK Card Co., Ltd., and organised cashback promotions for popular stores in the UK, Australia and other countries. The Bank created "Zhuo Jun Card" branded products to provide secure and convenient card services for overseas students, launching Zhuo Jun Card products in currencies such as the Canadian Dollar and Australian Dollar in 2023. It also actively enhanced its overseas branches' merchant acquiring business, delivering high-quality payment acceptance services to both domestic and overseas cardholders.

Financial Markets Business

Taking a global perspective, the Bank leveraged the advantages of its globalised network to proactively anticipate changes in international financial markets. It placed equal emphasis on growth and stability, robustly delivered overseas financial market services, and enhanced the international brand influence of its financial markets business.

Ensuring centralised management of its global investment operations. The Bank strengthened its international market analysis and investment strategy research, seized opportunities in overseas markets, and steadily developed its overseas institutions' bond investment business. It strived to elevate liquidity levels and asset returns in its investment portfolio, carried out active management of scale and duration, and continuously strengthened risk prevention and control.

Taking full advantage of its globalised and integrated trading operations. The Bank provided clients worldwide with 5×24 round-the-clock quotation services from its operations in Hong Kong (China), London and New York. Its overseas institutions continued to compete in local markets by harnessing their respective resource endowments, promoting coordinated regional development and enhancing market competitiveness. The Bank actively provided RMB market-making and quotation services and RMB futures business in Singapore, South Korea and other countries and regions, thus serving national strategies and economic development. The Hong Kong Offshore RMB Trading Centre continued to expand its product coverage, thus facilitating RMB internationalisation. The London Trading Centre continuously strengthened business support for the Bank's branches in Europe, Middle East and Africa, including supporting the branches' use of its electronic transaction platform, and thus enhanced quotation efficiency. In 2023, the Bank underwrote Panda bonds with a total volume of RMB32.875 billion, ranking first in the market. It underwrote offshore China bonds with a total volume of USD2.562 billion, also ranking first in the market, and underwrote USD3.379 billion of Asia (excluding Japan) G3 currency bonds, ranking first among Chinese institutions.

Securing the leading edge in cross-border custody business. In line with national strategy, the Bank steadfastly implemented the high-level opening up of financial markets, endeavoured to improve the service capacity of its overseas custody products, and maintained a leading position in both domestic and overseas cross-border custody markets. As at the end of 2023, the Bank's cross-border custody scale exceeded RMB810.0 billion, ranking first among Chinese peers. The Bank was awarded "Best QDII Custodian Bank" in 2023 by *The Asset*.

Clearing Business

The Bank prudently and robustly implemented key priorities in RMB internationalisation, thus further consolidating its leading edge in cross-border RMB payments. As at the end of 2023, the Bank accounted for 15 of the world's 33 authorised RMB clearing banks, continuing to lead its peers. It continually supported the global coverage expansion of CIPS, and ranked first in the number of CIPS direct participant and indirect participant relationships.

Giving Full Play to its Role of a Major Banking Channel to Promote RMB Internationalisation in a Steady, Prudent and Robust Manner

The Bank fully leveraged innovation, demonstration, and leadership roles in the internationalisation of the RMB, actively participated in the construction of cross-border RMB infrastructure, continuously expanded the global clearing network, and consolidated the leading position in RMB clearing banks. The Bank issued the *Action Plan on Supporting Foreign Economic and Trade Enterprises to Expand Cross-border RMB Use* and the *Cross-border RMB Service Plan for Central Asia* to actively promote RMB pricing and use. It became the sole principal partner bank for "Swap Connect" central counterparty clearing, as well as the sole bank to design fund settlement plans for the "Reinsurance International Board" of the Insurance Exchange. The Bank launched a number of projects such as the RMB pricing and settlement of Egyptian Panda bonds and Zambia's copper commodities sales. It successfully held the Belt and Road and RMB Internationalisation Forum in Hong Kong and published the *White Paper on RMB Internationalisation*. It also undertook a number of promotional activities and published the cross-border RMB index and offshore RMB index on a quarterly basis, providing meaningful and comprehensive professional support for global customers to understand and use RMB. The Bank was successfully appointed as an RMB clearing bank in Cambodia and Serbia, ranking top among peers with a total of 15 clearing banks.

In 2023, domestic institutions of the Group realised cross-border RMB settlement volume of RMB12.81 trillion, with a growth rate of 23.28%. The Group's cross-border RMB clearing volume reached RMB938.11 trillion, up 26.55% year-on-year, maintaining leading position in the global market.

Online Service Channels

The Bank strived to optimise its online service channel to enhance customer experience, giving new impetus to its global development.

Upgrading and promoting overseas enterprise online banking, and refining its capabilities in global enterprise online financial services. The Bank continuously promoted the new version of overseas enterprise online banking, focused on improving the localisation ability and compliance management goals of overseas institutions, optimised more than 40 functions, strengthened the local market competitiveness of overseas enterprise online banking and the service capabilities of "Going Global" Chinese enterprises. As of the end of 2023, corporate online banking has covered 56 countries and regions, supporting 14 languages.

Enhancing the BOC International Mobile Banking app and supporting the digital transformation of its overseas personal banking business model. It launched version 6.0 of BOC International Mobile Banking app. This version improved user interface and function navigation, allowing customers to seamlessly switch from the classic version to a new simplified version, accommodating diverse customer needs. It enriched its mobile banking functions, encompassing online account application and investment services, significantly enhancing customers' overall experience. As at the end of 2023, BOC International Mobile Banking app was available in 30 countries and regions around the world, providing services in 12 languages.

BOCHK

As a Hong Kong-listed banking group controlled by the Bank, BOCHK capitalised on the Group's globalised and integrated advantages to continuously cultivate the Hong Kong market, actively tap into opportunities from cross-border businesses and expedite regional development in Southeast Asia. It maintained its leading position in major businesses, continuously sharpened its competitive edges and helped strengthen Hong Kong's status as a leading international financial centre. As at the end of 2023, BOCHK's issued share capital was HKD52.864 billion, total assets were HKD3,868.783 billion and net assets were HKD323.429 billion. Its profit for the year was HKD34.857 billion.

BOCHK adhered to the concept of sustainable development and consolidated its foundations in green finance. BOCHK provided green and low-carbon financial products and services to satisfy customers' demand for transformation towards sustainable development. To facilitate customer access to new green investment opportunities, it launched the "BOCHK Greater Bay Area Climate Transition ETF", the first exchange-traded fund in the Hong Kong market to track an ESG index with investments in the Guangdong-Hong Kong-Macao Greater Bay Area. It also added a sustainable income strategy fund to its platform. BOCHK further promoted its Green Mortgage Plan to encourage home buying clients to choose green buildings. To capture opportunities from the transformation of "brown" industries, it created a full suite of differentiated green and sustainability-linked financial service solutions for its corporate clients, assisting them to adopt sustainable business models and accomplish green development targets. In addition, BOCHK enhanced innovation in its offshore RMB-denominated green finance, and successfully executed its first green RMB reverse repo transaction. In line with the HKSAR Government's proposals for green finance development, BOCHK served as custodian for the HKSAR Government's first tokenised green bond issuance. BOCHK remained committed to achieving its carbon neutrality targets in an orderly manner, providing momentum towards its goal of carbon-neutral operations by 2030. Fulfilling its responsibilities in climate-related information disclosure, BOCHK published its first *Climate-related Financial Disclosures Report*, with a view to playing a key role in coping with climate changes.

BOCHK deeply cultivated its core market of Hong Kong and continuously strengthened its competitive advantages. BOCHK enhanced support to corporate banking services. Working with blue-chip enterprises, high-quality commercial firms and SMEs in Hong Kong, BOCHK leveraged collaborative mechanisms among its integrated business platforms and rendered professional services to fulfil customers' business needs. As at the end of 2023, it outperformed the local market in terms of total customer deposit and loan growth while maintaining its non-performing loan ratio at below the market average. It continued its support to several key projects and expanded its supply chain finance business, maintaining its leading market share as an arranger bank in the Hong Kong-Macao syndicated loan market and as an IPO receiving bank. It strengthened the development of its key businesses, which included cash pooling, trade financing, payment and settlement as well as treasury centre services. It promoted the development of inclusive finance services, expanding the use of transactional data in the credit approval process for SMEs with a view to alleviating their financing pain points, and optimised e-collection and e-payment solutions for the Fast Payment System (FPS), thus stimulating constant growth in local business and commercial activities. It continually expanded the breadth and depth of its wealth management business and sharpened its leading edge in core products. To further expand its high-end and younger customer portfolio, it refined exclusive products and complementary services for high-end customers, including the launch of investment and wealth management solutions to Private Wealth and Wealth Management customers respectively, while actively promoting a targeted brand for the younger customer segment through innovative service channels and products. BOCHK proactively capitalised on opportunities arising from improvement in consumer demand, recording growth in consumer finance businesses such as credit cards, BoC Pay and BoC Bill. BoC Pay payment services now cover various daily consumption and transport scenarios in Hong Kong. It continued to expand its mortgage portfolio and secured the top market share in Hong Kong residential mortgages.

BOCHK expedited the development of financial services in the Greater Bay Area and maintained its market leadership in RMB business. Seizing business opportunities from financial services policies in the Guangdong-Hong Kong-Macao Greater Bay Area as well as improvement in consumer demand, BOCHK strengthened internal and external collaboration to explore key industries' and target customers' cross-border financing needs within the context of deeper integration in the Greater Bay Area. It rolled out a series of cross-border financial service solutions to allow corporate customers to capture development opportunities in the area. It kept pace with business opportunities arising from the HKSAR Government's development plan for the Northern Metropolis area in order to actively provide corresponding financial support. Through its new "BOCHK Cross-Border GO" brand, it made every effort to provide one-stop cross-border financial products and services to customers travelling around the globe, with a focus on customers in the Chinese mainland, Southeast Asia and overseas countries. It continually improved its RMB service capabilities and steadily pushed forward the opening up of the financial sector. In addition, it optimised the product and service suite of "Bank of China Cross-Boundary Wealth Management Connect", with the aggregate number of accounts opened and amount of funds remitted or transferred under both Northbound and Southbound services ranking among the top tier in Hong Kong. It assisted the People's Government of Hainan Province and the Shenzhen Municipal People's Government in the issuance of offshore RMB bonds in Hong Kong. Meanwhile, it facilitated the enhancement of cross-border financial infrastructure so as to widen mutual access, including supporting Northbound trading of "Swap Connect", "Shanghai Stock Connect" and "Shenzhen Stock Connect". In alignment with the

"HKD-RMB Dual Counter Model" launched by Hong Kong Exchanges and Clearing Limited, BOCHK introduced a dual counter securities trading service on its mobile banking platform, with BOCHK itself being designated among the first batch of dual counter listed companies under the model. It supported the cross-border remittance service of the new RMB FPS introduced by the Hong Kong Monetary Authority, further enriching cross-border fund clearing channels. It improved regional RMB financial infrastructure, optimised the offshore RMB clearing network and actively cultivated the offshore RMB market, including expanding the service coverage of the Cross-border Interbank Payment System (CIPS) and promoting RMB usage, with Bank of China (Thai) Public Company Limited, BOCHK Jakarta Branch, Phnom Penh Branch, Vientiane Branch and Yangon Branch each being granted a direct participating bank qualification by CIPS. BOCHK also actively fulfilled the duties and solicited the assignment of RMB clearing banks, with BOCHK Phnom Penh Branch being appointed as the RMB clearing bank in Cambodia.

BOCHK deepened integrated regional collaboration and enhanced operational synergy. BOCHK remained focused on integrated regional development, adopting the organic combination of market-by-market strategies as its template for a differentiated management approach across its regional entities. By offering a diversified product suite, it leveraged its synergies and captured opportunities from the Regional Comprehensive Economic Partnership to focus on the development of Belt and Road and "Going Global" projects as well as large corporate customers in the region. It remained committed to promoting the regional development of green finance, with BOCHK Manila Branch, Jakarta Branch and Phnom Penh Branch launching BOCHK's first bilateral green loan, social responsibility loan and sustainability-linked syndicated loan respectively in Southeast Asia. As part of its development strategy for implementing digital transformation and a mobile-first approach, BOCHK Phnom Penh Branch and Vientiane Branch launched online RMB direct payroll remittance services. Bank of China (Thai) Public Company Limited, Bank of China (Malaysia) Berhad, BOCHK Ho Chi Minh City Branch, Phnom Penh Branch and Vientiane Branch successively rolled out e-Mortgage platforms, providing customers with online reservation, consultation and real-time mortgage application services, thereby further improving customer experience. It enriched the service quality of its intelligent Global Transaction Banking (iGTB) platform, with Bank of China (Thai) Public Company Limited and Bank of China (Malaysia) Berhad each launching an iGTB regional e-commerce service. In addition, BOCHK continuously refined its regional risk management mechanism by regularly monitoring and optimising the structure and quality of its credit portfolio, so as to ensure synergy between regional business development and risk management to continuously enhance risk management capabilities.

BOCHK reinforced its technological foundations with the clear strategy of becoming a full-scale digital bank. BOCHK comprehensively promoted digital transformation with the utilisation of data, business intelligence and ecological approaches throughout its product design and service operations to ensure continuous and effective business operations and to support its ambition of rendering seamless and high-quality digital services and customer experiences through omni-channel services. BOCHK fostered product and service integration, and was endeavoured to the research and development of high-quality financial products and services. It consolidated its open banking ecosystems by drawing on different customer segments and ecologies, to provide customers with diversified e-payment service channels for daily spending and travel convenience. In collaboration with other market players, BOCHK explored the potential applications of artificial intelligence in the financial industry as well as development of digital currencies. It regularly brought the fintech sector together to exchange ideas and perspectives, with a view to integrating financial services and innovative technology. In a bid to enhance operational efficiency across all aspects of its businesses, BOCHK deepened technological empowerment, enhanced intelligent operations, and expanded the use of intelligent technology to automate and integrate its operations. It refined its policies and systems for digital transformation, nurtured digital-savvy talent and fostered an innovative culture, thus laying a solid foundation for its long-term development.

BOCHK was named "Bank of the Year in Hong Kong" by *The Banker*; "Strongest Bank in Hong Kong and Asia Pacific", "Second Strongest Bank in the World" and "Best Retail Bank in Hong Kong" by *The Asian Banker*; "Digital Transformation of the Year – Hong Kong", "Mobile Banking & Payment Initiative of the Year – Hong Kong" and "SME Bank of the Year – Hong Kong" by *Asian Banking & Finance*; "Best Chinese Bank for the Greater Bay Area 2023" by *Asiamoney*; "Best Renminbi Bank" in Hong Kong and the Philippines by *The Asset*; and "Best ESG Impact – Hong Kong SAR" by *FinanceAsia*.

(Please refer to the annual report of BOCHK for a full review of BOCHK's business performance and related information.)

Comprehensive Operation

As the first major commercial bank in the Chinese mainland to develop comprehensive operations, the Bank engages in such fields as investment banking, asset management, insurance, direct investment, leasing, consumer finance, and financial technology. With a focus on serving the real economy, the Bank pursued progress in "five major tasks" of promoting technology finance, green finance, inclusive finance, pension finance, and digital finance. Giving full play to its traditional business strengths, it advanced the high-quality development of its comprehensive operation companies according to the guidelines of Group-wide coordination, risk control, commercial sustainability, and market competitiveness.

In 2023, the Bank further optimised the synergistic mechanisms between the Bank and its comprehensive operation companies, and consolidated the regional coordination platform for comprehensive operations. It formulated the Group's comprehensive business coordination mechanism, established a process for prioritising potential collaborative projects, and carried out a comprehensive series of collaborative matchmaking activities. It also launched an internal competition to identify and realise collaborative business opportunities between the Bank and its comprehensive operation companies, in order to stimulate synergistic vitality. The Bank refined the Group-wide management and control mechanism of its comprehensive operations, established a "full-chain" performance management system for its comprehensive operation companies, and strengthened risk penetration management. It standardised and optimised the corporate governance structure of its comprehensive operation companies, strengthened performance management of the directors and supervisors assigned to those companies, and continuously improved the quality and efficiency of Group-wide management.

Investment Banking Business

BOCI

The Bank is engaged in investment banking business through BOCI. As at the end of 2023, BOCI had an issued share capital of HKD3.539 billion, total assets of HKD68.969 billion and net assets of HKD22.326 billion. In 2023, BOCI realised a profit for the year of HKD1.400 billion.

Proactively integrating into the new "dual-circulation" development pattern, BOCI promoted the high-quality development of investment banking, wealth management and asset management. It successfully facilitated the listing of 14 IPOs on the Main Board of Hong Kong Stock Exchange (HKEX), raising over HKD14.3 billion. It underwrote green and sustainable bonds with an aggregate value of USD4.215 billion, helping the Bank to maintain a leading position among Hong Kong peers in terms of total underwriting volume. Furthermore, acting as the sole ESG rating advisor, it assisted a client in successfully obtaining its first ever low-risk ESG rating from Sustainalytics, setting an industry benchmark. In terms of product innovation, it was the first Chinese financial institution in Hong Kong to issue RMB digital structured notes using blockchain, issuing a total of approximately HKD1.701 billion of such notes in 2023. It accelerated the transformation of its traditional brokerage business into a wealth management business, meeting clients' wealth management needs through diversified asset classes. BOCI supported the development of the real economy by strengthening ESOP services for listed companies, serving more than 200 corporate clients with over 140,000 employees from more than 40 countries and regions, managing more than 120 ESOP related trusts. It continued to promote digitisation and improved the functionality of its mobile securities services, as well as establishing its competitive capabilities as an HKD/RMB dual counter securities market maker. BOCI enhanced its asset management capabilities. BOCI-Prudential Asset Management Limited, a subsidiary of BOCI, ranked fifth and second respectively in the Hong Kong Mandatory Provident Fund (MPF) and Macao Pension Fund markets. It also had 16 fund products eligible for the Cross-boundary Wealth Management Connect Scheme in Hong Kong and cooperated with BOCHK to launch the HKEX-listed BOCHK Greater Bay Area Climate Transition ETF. It continued to facilitate the internationalisation of the onshore commodity futures market and assisted with the low-carbon transformation of energy enterprises.

During the year, BOCI was awarded "Best Bond Advisor – Global (China)" by *The Asset*, "China Bond House of the Year" by *IFR Asia*, and "Commodity Dealer of the Year, Asia" by *Risk.net*, an authoritative media publication in the global commodity industry. It was also selected as a top ten "Research Team Leaders Table (All China)" by *Institutional Investor* and *Caixin*. In addition, BOCI-Prudential Asset Management Limited's RMB Fixed Income Fund won the "Best Fund over 3 Years – Bond Asia Pacific (Local Currency)" award at the Hong Kong 2023 Lipper Fund Awards.

BOCI China

BOCI China is engaged in securities-related business in the Chinese mainland. As at the end of 2023, the registered capital of BOCI China was RMB2.778 billion.

BOCI China deepened its synergistic advantages in areas such as "investment banking + commercial banking", "investment banking + investment" and "domestic + overseas". It targeted key client groups and key industries, fully implemented national strategies, promoted business transformation through technological empowerment to help building of a nation with a strong financial sector. BOCI China made breakthroughs in the IPO business of specialised and sophisticated SMEs. In 2023, BOCI China sponsored the IPOs of two specialised and sophisticated SMEs, and acted as the sole underwriter for China's first AA+ corporate bond issued by a technology innovation company (incubator). It also acted as the sole underwriter for sci-tech innovation corporate bonds issued by central state-owned enterprises to promote innovation and tackle development bottlenecks, and assisted in the issuance of China's first corporate bond of benchmark market-making in the private sector. In terms of asset management, BOCI China made efforts to strengthen its proactive management capabilities. It ranked second in the securities industry in terms of mutual funds scale, and continued to improve its customer service capabilities. The company focused on the wealth management needs of individual clients and constructed a customer-centric product system, refined its comprehensive service process for wealth management, and improved the service capability of its investment advisors. In addition, the brand reputation of its research products was further enhanced.

BOCI China received numerous awards during the year, including "Best Local Investment Bank" and "Best Bond Underwriting Investment Bank" from *New Fortune* and "Best A-share Bond Underwriting Team" from *National Business Daily* for its investment banking business; the "Junding Award for Comprehensive Wealth Management institution in China" from *Securities Times* and "Model Asset Management Securities Company" from *ChinaFund* for its asset management business; "Golden Bull Growth Wealth Management Team" from *China Securities Journal* for its retail brokerage business; and "Junding Award for Investment Advisory Teams in China" from *Securities Times* for its "Thinktank" advisory team. In addition, BOCI China Shenzhen Central Road No.4 Branch received the "Junding Award for Top 20 Securities Business Outlets in China" from *Securities Times*. BOCI Futures, a subsidiary of BOCI China, received Gold Medal in "Comprehensive Award for Excellent Members" from China Financial Futures Exchange.

(Please refer to the annual report of BOCI China for a full review of its business performance and related information.)

Asset Management Business

BOCIM

The Bank is engaged in fund management business in the Chinese mainland through BOCIM. As at the end of 2023, BOCIM had registered capital of RMB100 million, total assets of RMB6.299 billion and net assets of RMB5.229 billion. In 2023, its profit for the year reached RMB702 million.

BOCIM steadily expanded its asset management business, maintained sound internal control and risk management, and constantly improved its brand and market reputation. By rigorously focusing on investors' interests, BOCIM strengthened its investment and research capabilities, refined product management and enhanced marketing and post-investment support. BOCIM optimised new fund issuance and launched 13 funds during the year, including enhanced index funds like BOC MSCI China A50, BOC CSI 1000, BOC CSI 500, etc. In addition, BOCAM (Singapore) obtained approval from the China Securities Regulatory Commission (CSRC) for a QFII qualification, building BOCIM's brand as a "Global Manager of Global Assets". As at the end of 2023, BOCIM's AUM stood at RMB574.813 billion. Specifically, its public-offered funds were RMB484.628 billion and its public-offered funds excluding money market funds were RMB285.802 billion.

BOCIM won six prestigious honours in the industry's three most authoritative awards, including the "Golden Bull Award" from *China Securities Journal*, "Golden Fund Award" from *Shanghai Securities News* and "Star Funds Award" from *Securities Times*. Specifically, BOCIM's equity funds won honours in all three of these awards.

BOC Wealth Management

The Bank is engaged in wealth management business in the Chinese mainland through BOC Wealth Management. BOC Wealth Management's business includes wealth management products for the general public, wealth management products for qualified investors, advisory and consulting, and other asset management-related business. As at the end of 2023, BOC Wealth Management had a registered capital of RMB10.000 billion, total assets of RMB17.269 billion and net assets of RMB16.614 billion. Its profit for the year reached RMB1.628 billion.

BOC Wealth Management actively promoted the high-quality development of wealth management while serving the real economy. In the product and service aspects, BOC Wealth Management implemented the national rural revitalisation strategy, rolled out themed wealth management products, and continued to allocate more assets to key areas such as new rural infrastructure construction. It served the development of "third pillar" of China's pension insurance system by introducing five personal pension wealth management products as part of the first batch of private pensions. It constantly innovated "public welfare + wealth management" products and supported the development of vocational education. Moreover, it strengthened its unique advantages in foreign currency and cross-border products, maintained a market-leading position in terms of product diversification, and ranked first among peers in terms of wealth management scale. In the investment aspect, BOC Wealth Management actively promoted China's modernisation and established an investment research system to serve the real economy.

Adapting to the emergence of new economic development drivers, BOC Wealth Management increased investment in key areas such as advanced equipment manufacturing, new power system and electronic information, and guided fund allocation towards areas of policy focus. In the customer aspect, BOC Wealth Management continuously expanded its sales channels, realising product sales through 22 external institutions and 30 channels. In the risk management aspect, BOC Wealth Management reinforced its comprehensive risk management system, enhanced technological empowerment within its business activities, and firmly adopted bottom line thinking. As at the end of 2023, its AUM stood at RMB1,631.063 billion.

Insurance

BOCG Insurance

The Bank is engaged in general insurance business in Hong Kong through BOCG Insurance. As at the end of 2023, BOCG Insurance had an issued share capital of HKD3.749 billion, total assets of HKD9.654 billion and net assets of HKD4.625 billion. In 2023, BOCG Insurance recorded insurance revenue of HKD2.140 billion and its profit for the year reached HKD277 million.

Pursuing progress amid stability and ensuring stability through progress, BOCG Insurance leveraged its advantages and implemented national strategies. It strived to build a high-tech, market-leading regional property insurance company with commercial banking characteristics. It outperformed the market in terms of income growth, increasing its market share. Supporting key national strategies, it deepened bank-insurance coordination and actively participated in services such as Northbound travel insurance for Hong Kong vehicles and Greater Bay Area cross-border business. BOCG Insurance also made diverse contributions to the development of the real economy. It established a sound basis by constantly improving structure, quality and efficiency, and optimising its business structure and insurance product portfolio. It made comprehensive efforts to promote digital transformation, upgraded online insurance sales and customer service platforms to deliver unique online services, and initiated implementation of IFRS 17. Embracing ESG concepts, BOCG Insurance promoted green office practices, supported green finance initiatives, and played an active role in aiding Hong Kong's recovery from extreme weather events.

BOC Life

The Bank is engaged in life insurance business in Hong Kong through BOC Life. As at the end of 2023, BOC Life's issued share capital was HKD3.538 billion, total assets were HKD187.069 billion and net assets were HKD6.099 billion. Its profit for the year was HKD1,127 million.

BOC Life continually strived to improve the quality and efficiency of its business. It maintained its leading position in Hong Kong's life insurance sector and consistently outperformed industry peers in terms of RMB insurance business and online insurance transactions. BOC Life continued to strengthen its multi-channel development strategy by deepening its collaboration with BOCHK to foster cooperation among different customer segments, expanding its brokerage channel by forming partnerships with brokers with Chinese mainland banking experience, and growing its tied agent workforce through new financial support programmes to recruit agents with Chinese mainland banking and professional backgrounds. A full suite of cross-border business activities was launched to capture related opportunities, boosting its business volumes above pre-pandemic levels. Collaborating with other industry players, BOC Life played a pivotal role in the preparatory work for establishing insurance service centres in the Guangdong-Hong Kong-Macao Greater Bay Area that will promote insurance market connectivity in the region. Striking a balance between growth quality and scale, BOC Life continued to enrich its product range with the aim of increasing both the volume and value of new business. BOC Life also advanced the development of its featured retirement scenario-based ecosystem to push forward the transformation of elderly care. To refine its wellness ecosystem, it deepened cross-industry collaboration around the "Live Young Rewards" app, which now boasts over 90,000 users and 70 third-party partners.

BOC Insurance

The Bank is engaged in property insurance business in the Chinese mainland through BOC Insurance. As at the end of 2023, BOC Insurance had registered capital of RMB4.535 billion, total assets of RMB12.076 billion and net assets of RMB5.321 billion. In 2023, it realised insurance revenue of RMB6.042 billion and a profit for the year of RMB205 million.

BOC Insurance actively served national strategies, and supported the development of the real economy. It supported enterprises' "Going Global" efforts, served 173 Belt and Road projects, and provided insurance coverage of more than RMB81.7 billion. It served the "dual-circulation" of domestic and international markets, innovated scenario-based services, and supported the integrated development of domestic and overseas trade with insurance coverage exceeding RMB347.6 billion. It increased the supply of liability insurance products in emergency management, production safety and other fields, and provided insurance services for major natural disasters. Furthermore, focusing on digital transformation, BOC Insurance promoted the transformation towards online, intelligent and platform-based business model. It also advanced the in-depth development of its comprehensive risk management system, improved the long-acting mechanism for internal control and compliance management, and made risk prevention more initiative and forward-looking. In 2023, it provided RMB35 trillion of insurance coverage and over 1.59 million transactions of claim settlement, and paid compensation of over RMB3.7 billion.

BOC Insurance maintained an "A-" credit rating and "stable" outlook from Standard & Poor's for the ninth[8] consecutive year. It won the "20th People's Inventive Award – Inventive Service Award" from people.cn, the "Benefitting the People Award" in the selection of "2023 Excellent Cases of Inclusive Finance", also sponsored by people.cn, the "2023 Excellent Corporate ESG Green Finance Case" award from Xinhuanet and the China Enterprise Reform and Development Society, and the "2023 Excellent Property Insurance Company" for excellent examples of financial development in the 21st century from *21st Century Business Herald*.

BOC-Samsung Life

The Bank is engaged in life insurance business in the Chinese mainland through BOC-Samsung Life. As at the end of 2023, BOC-Samsung Life's registered capital was RMB2.467 billion, total assets were RMB86.811 billion and net assets were RMB954 million. In 2023, BOC-Samsung Life recorded gross written premiums and premium deposits of RMB27.639 billion and a profit for the year of RMB2.044 billion.

Upholding its customer-centric approach, BOC-Samsung Life achieved stable business growth and steadily improved its market competitiveness. It proactively integrated itself into the Group's wealth management system and promoted premium trust services. BOC-Samsung Life strived to improve the quality of its services, achieving a significant drop in customer complaint and cancellation rates, a remarkable improvement in claim settlement time, and a notable rise in the Insurance Service Quality Index. It rebuilt its product system, improved the quality of its liabilities, increased the supply of whole life insurance, annuities insurance and health insurance, and launched "BOC Enjoying Life No. 2 Whole Life Insurance", "BOC Tiancai Annuities Insurance", "BOC Health Life Critical Illness Insurance" and other featured products. To make finance serve the real economy, BOC-Samsung Life invested a total of RMB5.964 billion in inclusive finance, technology finance and green finance. Leveraging technological empowerment in its operations, it offered such intelligent services as intelligent dual recording, intelligent outbound calling, intelligent claim settlement, and online collection of insurance proceeds, all of which improved the customer experience. In 2023, BOC-Samsung Life recorded first-year premiums of RMB9.258 billion in its protection and long-term savings businesses, a year-on-year increase of 65%.

BOC-Samsung Life was named "Excellent Life Insurance Company" for the fifth consecutive year in the Golden Censer Prize organised by *National Business Daily*. It featured in the "Annual Customer Service Ranking" of China's Insurance Industry Ranking 2023, was awarded "2023 Excellent Corporate ESG Green Finance Case" and "2023 Excellent Corporate ESG Rural Revitalisation Case" by Xinhuanet and China Enterprise Reform and Development Society; and was listed in the "Annual Life Insurance Coverage Product" and "Annual Critical Illness Insurance Coverage Product" categories in the Gold Reputation Awards by China Banking and Insurance Media.

[8] Since the signing of the credit rating agreement with Standard & Poor in 2014, it has maintained an "A-" credit rating for nine consecutive years. The Standard & Poor's rating for 2023 has not been released.

Investment Business

BOCG Investment

The Bank is engaged in direct investment and investment management business through BOCG Investment. BOCG Investment's business scope includes private equity investment, fund investment and management, real estate investment and management, and special situation investment. As at the end of 2023, BOCG Investment had issued share capital of HKD34.052 billion, total assets of HKD137.135 billion and net assets of HKD75.153 billion. In 2023, it reported a profit for the year of HKD535 million.

In line with the Group's 14th Five-Year Plan, BOCG Investment gave full play to the advantages of the Bank's comprehensive operation platform, accelerated the transformation and development, and pursued progress in both investment scale and quality. Based in Hong Kong, BOCG Investment tracked investment opportunities in Southeast Asia, integrated into the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and supported Chinese "Going Global" enterprises to explore overseas markets and cross-border M&A. It expedited the implementation of the new development pattern, served the national Belt and Road strategy, and steadily invested in high-quality funds with a primary focus on Europe and Southeast Asia. It also continued to strengthen post-investment management and exited from mature projects in various ways. It refined the routine monitoring of investment asset quality and enhanced its risk response capability. Furthermore, BOCG Investment expanded its funding sources through multiple channels, completed registration as a mature issuer with NAFMII for the first time, and issued a three-year RMB Panda bond. It also launched its first green loan and improved its green financing system.

BOC Asset Investment

The Bank is engaged in debt-for-equity swap and related business in the Chinese mainland through BOC Asset Investment. As at the end of 2023, the registered capital of BOC Asset Investment was RMB14.500 billion, total assets were RMB87.917 billion and net assets were RMB23.133 billion. In 2023, its profit for the year reached RMB2.711 billion.

Committed to the national strategy of expanding domestic demand and deepening supply-side structural reform, BOC Asset Investment conducted market-oriented debt-for-equity swap business in support of the high-quality development of the real economy. Offering increasing support to green and technology finance investment, it implemented projects in new energy vehicles, clean energy, new energy storage and energy saving technologies, and environmental protection industries, to meet enterprises' diverse financial needs. Debt-for-equity swap investment funds and asset management plans were established to raise socially responsible funds for developing the real economy, including an RMB10 billion investment fund in collaboration with other investors. As at the end of 2023, the Bank's cumulative market-oriented debt-for-equity swap business reached RMB234.476 billion, representing an increase of RMB21.633 billion during the year.

Leasing Business

BOC Aviation

The Bank is engaged in the aircraft leasing business through BOC Aviation. It is one of the world's leading aircraft operating leasing companies and is the largest aircraft operating leasing company headquartered in Asia, as measured by value of owned aircraft. As at the end of 2023, BOC Aviation had issued share capital of USD1.158 billion, total assets of USD24.170 billion and net assets of USD5.748 billion. In 2023, it achieved a profit for the year of USD764 million, a new record for the Company. There was significant improvement in earnings as compared to the previous year.

BOC Aviation continued to implement its proactive business strategy and steadily promoted its standing in the aircraft leasing industry, achieving sustainable growth. Actively supporting the Belt and Road Initiative, it had leased 57% of its aircraft to Belt and Road countries and regions as at 31 December 2023. Continuing to closely track customer demand, the Company took delivery of 65 new aircraft, as it rapidly expanded its owned fleet. These aircraft were all delivered on long-term leases. During 2023, BOC Aviation signed 142 leases for aircraft while steadily expanding its business. Its fleet is currently on lease to a total of 91 customers in 45 countries and regions. The Company consistently sought to optimise its asset structure and improve its sustainable development. It sold 20 owned aircraft and one owned engine during 2023, leaving it with an average owned fleet age of 4.6 years (weighted by net book value) as at 31 December 2023, one of the youngest aircraft portfolios in the aircraft leasing industry.

(Please refer to the annual report of BOC Aviation for a full review of its business performance and related information.)

BOCL

The Bank is engaged in financial leasing, transfer and receiving of financial leasing assets and other related businesses through BOCL. As at the end of 2023, BOCL had registered capital of RMB10.800 billion, total assets of RMB57.344 billion and net assets of RMB11.915 billion. It recorded a profit for the year of RMB704 million.

BOCL was fully committed to serving the country's major strategies, key areas and weak links. As at the end of 2023, BOCL transacted a total of RMB88.569 billion in financial leasing business, with leasing assets in key industries such as smart transportation, renewable energy, advanced manufacturing and new materials accounting for 81.95% of the total. Its green financial leasing in green travel, new energy power generation, solid waste disposal, and air quality management accounted for 43.79% of total leasing. BOCL grew the footprint of its aviation and shipping business segment, gave full play to its advantages in asset financing, and contributed to the high-quality development of the real economy.

BOCL was awarded the "Leading Enterprise in Supporting Major Strategies" in the "2023 China Financial Leasing Taking Off Award" selection at the 6th Global Leasing Competitiveness Forum.

Consumer Finance

BOC Consumer Finance

The Bank is engaged in consumer loan business in the Chinese mainland through BOC Consumer Finance. As at the end of 2023, BOC Consumer Finance's registered capital was RMB1.514 billion, total assets were RMB74.299 billion and net assets were RMB9.040 billion. In 2023, it recorded a profit for the year of RMB537 million.

Comprehensively adopting a people-centric development philosophy in its business development and customer service, BOC Consumer Finance accelerated the in-depth transformation of its business model and fully supported the recovery in consumption. It steadily expanded its business scale and achieved positive results in online transformation, with online business volumes continuously increasing as a proportion of the whole. As at the end of 2023, its outstanding loans stood at RMB71.948 billion, up 16.42% from the end of the previous year, and the balance of online loans accounted for 62.49%, up 10.25 percentage points from the prior year-end.

Financial Technology

BOC Financial Technology

The Bank is engaged in financial technology innovation, software development, platform operation and technical consulting services through BOC Financial Technology. As at the end of 2023, the registered capital of BOC Financial Technology was RMB600 million, total assets were RMB1.405 billion and net assets were RMB851 million.

BOC Financial Technology deeply integrated itself into the Group's comprehensive service system and focused on anti-money laundering, credit risk control and other key areas to boost the Group's digital finance development. It focused on the development of scenario ecosystem-based non-financial products, improved its digital services for industries, and built the only treasury product with completely independent intellectual property rights among large state-owned banks. It empowered the Group's comprehensive operations, rolled out the Group's industry-leading asset management technology platform, and independently developed and successfully applied end-to-end IFRS 17 solutions. It linked internal and external innovation channels, and continued to maintain its leading position in emerging areas such as privacy computing. It participated in the formulation of six industry standards, which significantly enhanced the influence of the Group's "finance + technology" brand in technology innovation.

BOC Financial Technology was included in the International Data Corporation's (IDC) *IDC China FinTech 50* list for the third consecutive year and passed the test maturity model integration (TMMi) Level 5 certification. It also won "Best Integrated Business and Financial Service Provider" at the 2023 China Treasury Awards. In addition, its IFRS 17 product won first prize in the 2023 FinTech Innovation Competition of "Innovation China" and second prize in the "Financial Innovation Awards" of the Shanghai Municipal People's Government.

Service Channels

Focusing on customer experience and leveraging digital transformation as the key driver, the Bank accelerated the transformation and upgrading of all service channels, building online channels with stronger scenario integration capabilities and offline channels with greater value creation capacity. It cultivated an ecosystem in which online and offline channels are integrated and financial and non-financial scenarios are seamlessly connected.

Online Channels

Tapping in the potential of technological empowerment and adhering to the path of digitalisation, mobility, and intelligence, the Bank vigorously expanded its online channels and continuously upgraded its mobile banking services so as to rapidly develop its online businesses. In 2023, its e-channel transaction volume reached RMB374.62 trillion, an increase of 10.31% compared with the prior year.

For corporate banking customers, the Bank continuously improved the functions of its electronic channels and built a comprehensive Group-wide financial e-portal. The new version of the Bank's corporate online banking platform introduced multiple cross-border financial products such as FX forward trading, foreign exchange purchase and direct cross-border remittance, as well as 28 new products such as online transfer of certificates of deposit and next-generation commercial drafts. Corporate mobile banking functions were improved, with the cross-border financial zone of mobile banking enhanced via three new panels for "cross-border one-stop pass", "cross-border treasure box" and "cross-border selection column", realising the integration of foreign exchange receipt, foreign exchange purchase, settlement and payment. The Bank also continued to enhance its corporate WeChat banking channel, adding more than 10 new functions across four categories, such as account transfer notification, receipt verification, and WeChat customer manager business cards.

For personal banking customers, the Bank constantly optimised its mobile banking service capabilities. The Bank optimised basic service functions, integrated registration and login processes, supported online appointment and replacement of expired debit cards, and launched remote video interview for credit card customers to provide greater convenience. It also strengthened its wealth management services, launched the "Products Position Inquiry" service, added fund screening tools such as "Data-Driven Fund Selection", "Popular Sections", "Self-Service Toolbox", "Featured Automatic Investment Plan", and "Index Zone". It improved the quality and efficiency of characteristic businesses, increased the number of currencies supporting for salary exchange settlement to 19, and optimised the cross-border remittance process. It upgraded key customer services, added functions such as appointment for personal pension account opening, pension tax calculator, and pension information, and optimised the "Salary

Butler" section to aggregate high-frequency financial and non-financial services. It improved service accessibility and launched mobile banking services in Tibetan, supporting account inquiries and transfers to meet basic financial needs of customers. It optimised the "Beautiful Countryside" version of mobile banking, launched exclusive loan products for farmers, increased "Rural School" information services, and achieved full coverage of 160 national key counties for rural revitalisation through mobile banking. It continuously improved the digital risk control and anti-phishing monitoring capabilities of online channels. In 2023, the bank identified and shut down 816 phishing websites and application download links, and its "Cyber Defence" smart risk control and prevention system monitored 8.621 billion online transactions, up by 8.27% year-on-year. In 2023, the transaction amount of personal mobile banking reached RMB54.88 trillion, a year-on-year increase of 17.46%; the number of signed customers and monthly active customers in mobile banking reached 274.62 million and 87.76 million, respectively, making it the most active trading channel for the Bank.

The Bank's mobile banking was awarded "Mobile Banking with Best User Experience" in the 2023 China Financial Value Ranking of *CBN*, and received the "Most Trusted Mobile Banking by Customers" and "Best Digital Risk Control" awards in the 19th (2023) Digital Finance Joint Publicity Year. The Bank's "Lucky Travel" service was honoured with the "Glory Award" and "Most Popular Award" at the 6th (2023) Digital Financial Innovation Competition.

Offline Channels

The Bank continually optimised outlet layout and pushed forward outlet transformation and upgrading. It continuously improved its differentiated outlet management system. Based on local situations, it constructed featured outlets focused on technology finance, green finance, inclusive finance and pension finance, etc. It also refined featured outlets' products, services, business models, and software/hardware resource allocation so as to stimulate outlets' vitality through featured businesses and enhance the financial service capabilities of its offline channels with regard to the "five major tasks" of promoting technology finance, green finance, inclusive finance, pension finance, and digital finance. The Bank increased investments in intelligent equipment in county areas, realised full coverage of tablet-version smart counters in county-area operating institutions, expanded the coverage of financial services and enhanced their convenience and accessibility. It expanded the "finance + government affairs" service scenarios of smart counters to better serve the people's livelihood. It also expanded its business services for foreigners working in China, and enhanced the convenience of payment services. In addition, the Bank introduced smart screen system in lobbies to support the coordinated publication and full-process digital management of marketing and promotional information at outlets, achieved the goal of connecting "as many existing electronic screens with the smart screen system as possible", building a digital lobby-based marketing and promotional system that is green, tidy, safe and efficient.

As at the end of 2023, the Bank's commercial banking institutions in the Chinese mainland (including Head Office, tier-1 branches, tier-2 branches and outlets) totalled 10,299. The number of other institutions in the Chinese mainland totalled 652, and the number of its institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions totalled 534.

Fintech Innovation

The Bank persistently enhanced its value creation capabilities, accelerated digital transformation and innovation, and promoted the integration and mutual reinforcement of business models, technological capabilities and data elements, so as to provide customers with accurate, accessible and intelligent financial services. In 2023, the number of employees in the IT line of the Bank stood at 14,541, accounting for 4.74% of the total, of which 10,299 were employees of domestic commercial banks, accounting for 3.86% of the total. The Bank invested RMB22.397 billion in information technology during the year, accounting for 3.60% of its operating income.

Consolidating scientific and technological support for business. To implement the national strategy of "channelling computing resources from the east to the west", the Bank accelerated the construction of information infrastructures characterised by "multiple centres in multiple places", and completed the first phase of the Horinger Fintech Park in Inner Mongolia, with an additional 30,000 servers deployed. It also commenced the construction of the second phase of Hefei Park. The total number of servers on its cloud platform reached 26,500. The Bank advanced a special campaign to boost network security, and drove the effective operation of the safe operation centre (SOC), experiencing no significant network security accidents over the year, and securing the sound development of business across the Group. It further stepped up support for work safety, with no significant work safety accidents occurring during the year.

Cultivating engines for technological innovation. The Bank sped up the construction of new technological platforms related to privacy computing, IoT, blockchain and AI, covering 1,800 business scenarios. The Bank pushed forward the pilot application of computer vision technology in smart security, outlet operation and other scenarios, and tapped into the application of Large Model technology in scenarios such as internal knowledge services and auxiliary coding. In 2023, five of its technological achievements won PBOC Financial Technology Development Awards, of which the BOC enterprise-level data platform development project won the first prize. During the year, more than 4,122 new patent applications were submitted of which 1,056 were approved.

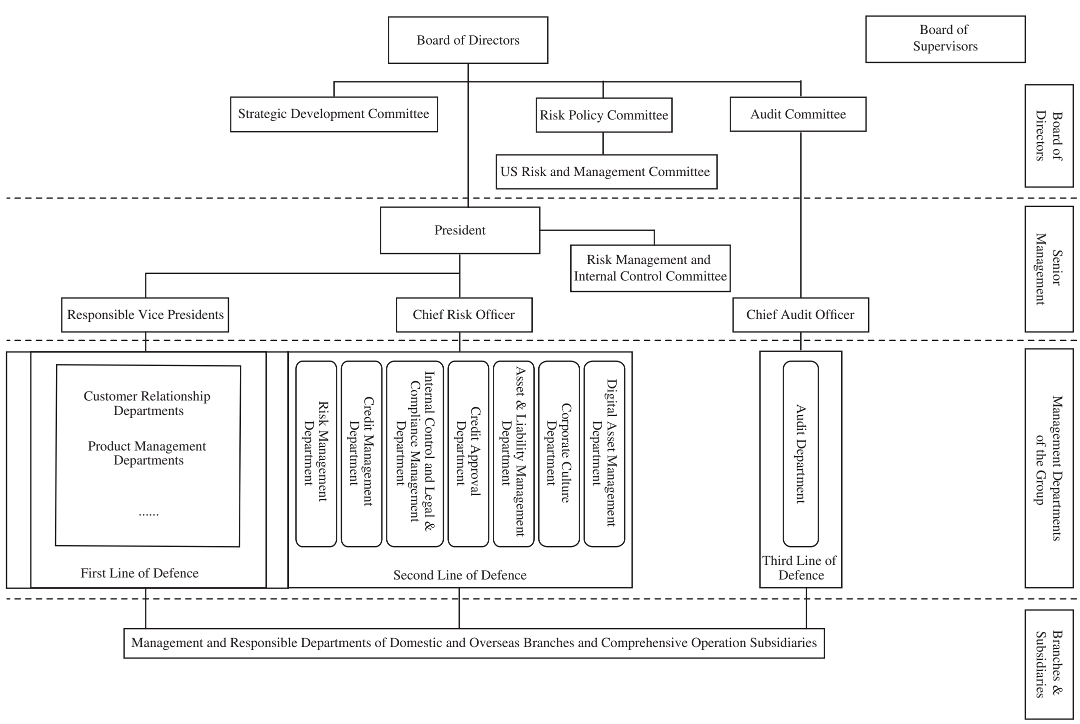
Accelerating the building of an enterprise-level framework. The Bank accelerated the building of enterprise-level public basic capabilities, included more than 2,700 salable products into the product factory for assembly, and put into operation accounting engines, basic pricing, customer-specific bargaining and other enterprise-level capabilities, and further enhanced its quick product assembling capability. It also completed the restructuring and service upgrade of basic financial products such as debit card, credit card, pension and bills, and supported a daily processing volume of hundreds of millions of transactions, providing more diversified, secure, and comfortable financial products and service experience for customers. It assisted in preventing and mitigating financial risks, reconstructed and upgraded the Group's integrated in-process AML system, connected the whole process and enhanced the capability of precise risk prevention and control with data empowerment.

Building a product scenario innovation ecosystem. The Bank enhanced the quality and effectiveness of products, put into operation 16 new products in key areas, strengthened the marketing capability within the internet ecosystem, and actively promoted the BOC All-Staff Marketing System. It deepened the open competition mechanism, and stimulated the initiativeness of innovative entities, with 26 outstanding achievements made in the fields of green finance, inclusive finance, and scientific and technological innovation. It carried out innovation replication campaigns, with 28 outstanding frontline achievements being put in storage and six of them were popularised in an acute manner, realised batch customer acquisition and attraction, contributed to steady business growth, and effectively enhanced management efficiency.

RISK MANAGEMENT

The Bank has established a sound and effective organisational structure for risk management that comprises the Board of Directors, the Board of Supervisors, the Senior Management, risk management departments, business departments, and internal audit departments. Adhering to the principles of "proactive, forward-looking, adaptive and applicable", the Bank continued to promote the development of a comprehensive risk management system, identified risks in non-traditional areas such as data security, social, environmental and climate risks, and fraud, incorporated them into the Group's risk management policies and risk appetite for continuous monitoring, and prevented various risks from the source. It established two closed-loop management mechanisms, namely risk judgment and investigation and emergency risk event response, to properly address impact from risk events of foreign banks. The Bank established a rolling risk inspection mechanism for overseas institutions, promoted risk management at home and abroad, on- and off-balance sheet in an integrated manner, and prevented cross-region, cross-market and cross-border transmission and resonance of risks. It actively mitigated risks in key areas such as real estate and local debt risks, and firmly defended the bottom line of no occurrence of systemic financial risk. It thoroughly followed the five major regulatory requirements, enhanced rectification accountability, and steadily advanced the implementation of new capital management regulations so as to ensure compliant operations. Furthermore, the Bank rolled out risk data governance in an orderly manner and accelerated the digital transformation of risk management. It achieved rapid progress in the development of an intelligent risk control system, and enhanced its capabilities in identifying, warning, exposing and disposing of risks at an earlier stage.

The risk management framework of the Bank is set forth below:



Risk Appetite

The risk appetite stands as the clarification of the overall risk and maximum level of each type of risk that the Bank is willing to undertake in order to achieve its strategic objectives and business plans for the current year. It is subjected to the approval of the Board of Directors and implementation of the Senior Management.

The Bank remained committed to prudent risk appetite. We actively support national strategies, serve the overall interests of the country, and assume due social responsibilities, with the aim of securing high-quality development with high-level of security and enforcing our capability of value creation and risk prevention and control.

The risk appetite applies to all institutions under the Bank, including its domestic branches and overseas institutions and comprehensive operation companies. It incorporates qualitative and quantitative indicators for each type of risk, highlights the connection between its operation project, capital planning, performance evaluation and other activities, and enlarges the application of stress test tools, reflecting the overall expectations of main interested parties of the Bank.

It emphasised both unified and differentiated criteria in its implementation. That requires unified management of risks of all types facing overseas institutions and comprehensive operation companies and meanwhile the attention paid to peculiar risks confronting the latter to better drive the global and comprehensive operation of the Bank.

Credit Risk Management

Closely monitoring changes in macroeconomic and financial conditions, the Bank pushed forward the optimisation of its credit structure, improved its credit risk management policies, strengthened credit asset quality management and took a more proactive and forward-looking stance on risk management.

Focusing on national strategies and strictly adhering to regulatory requirements, the Bank continuously optimised its credit structure by fully taking into account the market environment and its business characteristics. It revised industry guidelines for credit granting and improved the management of its asset portfolios. Committed to aligning financial supply to needs of the real economy, the Bank improved the precision of its capital investment and offered effective services to support key areas and weak links in the economy, with a focus on the modern industrial system, infrastructure construction, the virtuous cycle of "technology – industry – finance", green credit, the energy industry, people's livelihood consumption, new-type urbanisation, rural revitalisation and other priority areas.

The Bank strengthened its unified credit granting management and further centralised its comprehensive credit risk management. It continuously improved its long-acting credit management mechanism, optimised its control mechanism for credit concentration risk, and enhanced its "full coverage and penetration" asset quality screening and monitoring system. Furthermore, it improved the screening and monitoring of key risk areas and the effectiveness of potential risk identification, early warning, recognition and mitigation. The Bank refined supervision and guidance on asset quality control in key regions, and intensified efforts in the guidance, inspection and post-evaluation of its business lines. In addition, it constantly identified, measured and monitored large exposures in line with related large-exposure management requirements.

Balancing growth with stability to support high-quality development in credit business. In corporate banking, the Bank constantly optimised the industry structure of its credit portfolio through refined limit management. It carried out proper credit management of industries with high energy consumption and high emission, and industries with overcapacity. It also promoted the steady and healthy development of the real estate market by meeting the sector's reasonable financing needs, promoting a smooth transition towards a new industrial development model, and preventing and mitigating local debt risks. In personal banking, the Bank acted in accordance with regulatory requirements and business development needs arising from new situations, and facilitated the steady growth of its personal credit business.

The Bank stepped up efforts to mitigate NPAs, and prevented and resolved financial risks. It adopted the refined management of NPA projects, conducting differentiated strategies and making breakthroughs in key areas so as to improve the quality and efficiency of NPA disposal. The Bank expanded its NPA disposal channels and carried out the securitisation of non-performing bank card and personal credit assets.

Accurately and reasonably assessing credit risk to truthfully reflect the quality of financial assets. In accordance with the requirements of the *Measures for Risk Classification of Financial Assets of Commercial Banks* and according to the degree of risk, the Bank classifies its financial assets into five categories: pass, special mention, substandard, doubtful and loss, with the last three categories collectively referred to as NPLs. For non-retail assets, risk classification is determined according to the Bank's evaluation of the level of risk involved, based on assessments of the customers' contract performance ability, financial position, willingness to repay and repayment records, financial assets' overdue days, risk mitigation status and the probability of default, among other factors. For retail assets, risk classification is determined by the days overdue method, alongside a comprehensive consideration based on qualitative and quantitative factors such as customers' contract performance ability, the transaction characteristics, guarantee status, etc.

As at the end of 2023, the Group's NPLs[9] totalled RMB253.205 billion, an increase of RMB21.528 billion compared with the prior year-end. The NPL ratio was 1.27%, a decrease of 0.05 percentage points compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB485.298 billion, an increase of RMB48.057 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 191.66%, an increase of 2.93 percentage points compared with the prior year-end. The NPLs of the Bank's institutions in the Chinese mainland totalled RMB207.297 billion, an increase of RMB4.893 billion compared with the prior year-end. The NPL ratio of the Bank's institutions in the Chinese mainland was 1.23%, a decrease of 0.17 percentage points compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB290.238 billion, an increase of RMB54.584 billion compared with the prior year-end, and accounted for 1.46% of total loans and advances, an increase of 0.11 percentage points compared with the prior year-end.

---

9 Total loans and advances to customers in the "Risk Management – Credit risk management" section are exclusive of accrued interest.

Five-category Loan Classification

Unit: RMB million, except percentages

Items	As at 31 December 2023 Amount	As at 31 December 2023 % of total	As at 31 December 2022 Amount	As at 31 December 2022 % of total
Group				
Pass	**19,364,544**	**97.27%**	17,038,462	97.33%
Special-mention	**290,238**	**1.46%**	235,654	1.35%
Substandard	**67,246**	**0.34%**	104,331	0.60%
Doubtful	**105,261**	**0.53%**	60,569	0.35%
Loss	**80,698**	**0.40%**	66,777	0.37%
Total	**19,907,987**	**100.00%**	17,505,793	100.00%
NPLs	**253,205**	**1.27%**	231,677	1.32%
Chinese mainland				
Pass	**16,399,066**	**97.40%**	14,112,677	97.32%
Special-mention	**230,521**	**1.37%**	185,702	1.28%
Substandard	**39,969**	**0.24%**	85,155	0.59%
Doubtful	**96,171**	**0.57%**	53,216	0.37%
Loss	**71,157**	**0.42%**	64,033	0.44%
Total	**16,836,884**	**100.00%**	14,500,783	100.00%
NPLs	**207,297**	**1.23%**	202,404	1.40%

Migration Ratio

Unit: %

Items	2023	2022	2021
Pass	**1.20**	1.03	0.81
Special-mention	**26.41**	20.63	27.85
Substandard	**47.40**	31.80	66.11
Doubtful	**33.09**	10.43	22.76

Note: Calculated in accordance with the provisions of the *Notice on Revising the Definition and Calculation Formula of Basic Indicators for Off-site Supervision of the Banking Industry* issued by the China Banking and Insurance Regulatory Commission in 2022, the data of previous periods will be adjusted synchronously.

Distribution of Loans and NPLs by Customers' Industry

Unit: RMB million, except percentages

Items	As at 31 December 2023 Loans	% of total	NPLs	NPL ratio	As at 31 December 2022 Loans	% of total	NPLs	NPL ratio
Chinese mainland								
Corporate Loans								
Commerce and services	**2,755,264**	**13.84%**	**41,312**	**1.50%**	1,974,498	11.28%	33,486	1.70%
Manufacturing	**2,329,950**	**11.70%**	**33,565**	**1.44%**	1,808,808	10.33%	34,275	1.89%
Transportation, storage and postal services	**1,976,166**	**9.93%**	**8,780**	**0.44%**	1,744,422	9.96%	10,959	0.63%
Real estate	**874,747**	**4.39%**	**48,172**	**5.51%**	773,828	4.42%	55,966	7.23%
Production and supply of electricity, heating, gas and water	**1,046,809**	**5.26%**	**12,794**	**1.22%**	738,758	4.22%	13,119	1.78%
Financial services	**660,091**	**3.32%**	**161**	**0.02%**	659,443	3.77%	20	0.00%
Water conservancy, environment and public utility administration	**455,276**	**2.29%**	**4,973**	**1.09%**	361,108	2.06%	1,947	0.54%
Construction	**397,588**	**2.00%**	**4,295**	**1.08%**	328,921	1.88%	2,838	0.86%
Mining	**217,551**	**1.09%**	**3,080**	**1.42%**	167,351	0.96%	4,802	2.87%
Public utilities	**221,595**	**1.11%**	**4,260**	**1.92%**	206,004	1.18%	3,539	1.72%
Others	**73,193**	**0.37%**	**1,559**	**2.13%**	55,443	0.31%	1,375	2.48%
Total	**11,008,230**	**55.30%**	**162,951**	**1.48%**	8,818,584	50.37%	162,326	1.84%
Personal loans	**5,828,654**	**29.27%**	**44,346**	**0.76%**	5,682,199	32.46%	40,078	0.71%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	**3,071,103**	**15.43%**	**45,908**	**1.49%**	3,005,010	17.17%	29,273	0.97%
Total of the Group	**19,907,987**	**100.00%**	**253,205**	**1.27%**	17,505,793	100.00%	231,677	1.32%

The Bank continued to optimise its credit structure and stepped up its efforts to support the real economy. As at the end of 2023, loans for the manufacturing industry totalled RMB2,329.950 billion, an increase of RMB521.142 billion or 28.81% compared with the prior year-end. Loans for the transportation, storage and postal services industries totalled RMB1,976.166 billion, an increase of RMB231.744 billion or 13.28% compared with the prior year-end. Loans for production and supply of electricity, heating, gas and water totalled RMB1,046.809 billion, an increase of RMB308.051 billion or 41.70% compared with the prior year-end. Loans for water conservancy, environment and public utility administration totalled RMB455.276 billion, an increase of RMB94.168 billion or 26.08% compared with the prior year-end.

In accordance with IFRS 9, the Bank assesses expected credit losses with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified as Stage 1 and assets classified as Stage 2 and Stage 3 according to the expected credit losses over 12 months and the expected credit losses over the entire lifetime of the asset, respectively. As at the end of 2023, the Group's Stage 1 loans totalled RMB19,265.099 billion, accounting for 96.79% of total loans; Stage 2 loans totalled RMB386.045 billion, accounting for 1.94% of total loans; and Stage 3 loans totalled RMB253.168 billion, accounting for 1.27% of total loans.

As at the end of 2023, the Group's credit-impaired loans totalled RMB253.205 billion, an increase of RMB21.528 billion compared with the prior year-end. The credit-impaired loans to total loans ratio was 1.27%, a decrease of 0.05 percentage points compared with the prior year-end. Credit-impaired loans of the Bank's institutions in the Chinese mainland totalled RMB207.297 billion, an increase of RMB4.893 billion compared with the prior year-end. The credit-impaired loans to total loans ratio of the Bank's institutions in the Chinese mainland was 1.23%, a decrease of 0.17 percentage points compared with the prior year-end. The Bank's operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions reported credit-impaired loans of RMB45.908 billion and a credit-impaired loans to total loans ratio of 1.49%, an increase of RMB16.635 billion and 0.52 percentage points, respectively, compared with the prior year-end.

Movement of Credit-impaired Loans

Unit: RMB million

Items	2023	2022	2021
Group			
Balance at the beginning of the year	**231,677**	208,792	207,273
Increase during the year	**96,844**	86,831	86,583
Decrease during the year	**(75,316)**	(63,946)	(85,064)
Balance at the end of the year	**253,205**	231,677	208,792
Chinese mainland			
Balance at the beginning of the year	**202,404**	193,030	189,985
Increase during the year	**66,760**	68,527	77,098
Decrease during the year	**(61,867)**	(59,153)	(74,053)
Balance at the end of the year	**207,297**	202,404	193,030

Loans and Credit-impaired Loans by Currency

Unit: RMB million

Items	As at 31 December 2023		As at 31 December 2022		As at 31 December 2021	
	Total loans	**Impaired loans**	Total loans	Impaired loans	Total loans	Impaired loans
Group						
RMB	**16,672,058**	**200,330**	14,311,147	195,658	12,727,437	170,103
Foreign currency	**3,235,929**	**52,875**	3,194,646	36,019	2,947,557	38,689
Total	**19,907,987**	**253,205**	17,505,793	231,677	15,674,994	208,792
Chinese mainland						
RMB	**16,482,189**	**200,330**	14,204,573	195,658	12,623,061	170,102
Foreign currency	**354,695**	**6,967**	296,210	6,746	330,198	22,928
Total	**16,836,884**	**207,297**	14,500,783	202,404	12,953,259	193,030

The Bank makes timely and adequate allowances for loan impairment losses based on the expected credit loss (ECL) module in accordance with the principles of authenticity and forward-lookingness. Please refer to Notes II.4 and VI.2 to the Consolidated Financial Statements for the accounting policy in relation to allowances for impairment losses.

In 2023, the Group's impairment losses on loans and advances stood at RMB106.114 billion, an increase of RMB13.321 billion compared with the prior year. The credit cost was 0.57%, an increase of 0.01 percentage points compared with the prior year. Specifically, the Bank's institutions in the Chinese mainland registered impairment losses on loans and advances of RMB89.681 billion, an increase of RMB4.825 billion compared with the prior year. The credit cost of the Bank's institutions in the Chinese mainland was 0.57%, down 0.05 percentage points compared with the prior year.

The Bank continued to focus on controlling borrower concentration risk and was in full compliance with regulatory requirements on borrower concentration.

Unit: %

Indicators	Regulatory Standard	**As at 31 December 2023**	As at 31 December 2022	As at 31 December 2021
Loan concentration ratio of the largest single borrower	≤10	**2.0**	2.2	2.3
Loan concentration ratio of the ten largest borrowers	≤50	**13.0**	12.7	12.8

Notes:

1. Loan concentration ratio of the largest single borrower = total outstanding loans to the largest single borrower ÷ net capital.

2. Loan concentration ratio of the ten largest borrowers = total outstanding loans to the top ten borrowers ÷ net capital.

Please refer to Notes V.17 and VI.2 to the Consolidated Financial Statements for detailed information regarding loan classification, stage determination, credit-impaired loans and allowance for loan impairment losses.

The following table shows the top ten individual borrowers as at the end of 2023.

Unit: RMB million, except percentages

	Industry	Related Parties or not	Outstanding loans	% of total loans
Customer A	Transportation, storage and postal services	NO	66,113	0.33%
Customer B	Financial services	NO	60,257	0.30%
Customer C	Commerce and services	NO	47,526	0.24%
Customer D	Transportation, storage and postal services	NO	38,533	0.19%
Customer E	Transportation, storage and postal services	NO	38,424	0.19%
Customer F	Transportation, storage and postal services	NO	37,344	0.19%
Customer G	Production and supply of electricity, heating, gas and water	NO	36,900	0.19%
Customer H	Financial services	NO	36,126	0.18%
Customer I	Financial services	NO	35,701	0.18%
Customer J	Transportation, storage and postal services	NO	33,157	0.17%

Market Risk Management

The Bank actively responded to changes in the market environment, continuously optimised the market risk management system, and steadily controlled market risk. The objective of the Group's market risk management is to effectively manage market risk and improve market risk capital allocation in light of the overall risk appetite determined by the Board of Directors, control market risk within a reasonable level acceptable to the Bank, achieving a reasonable balance between risk and return.

Continuing to optimise the market risk management system and comprehensively improve the effectiveness of market risk management. The Bank has developed sound market risk management policies and procedures, properly integrated quantitative and qualitative methods, and performed effective identification, measurement, assessment, monitoring, reporting, control and mitigation of market risk. It has established a multi-layered market risk limit system to effectively transmit market risk appetite, and formulated contingency plans for market risk within its comprehensive risk emergency management system. In accordance with regulatory requirements, the Bank measured regulatory capital for market risk, incorporated indicators such as risk-adjusted return, and applied them in internal capital allocation and performance evaluation, thus striking an effective balance between market risk and corresponding profitability. Please refer to Note VI.3 to the Consolidated Financial Statements for more details of market risk.

Actively implementing regulatory requirements and improving the market risk management efficiency of the trading book. The Bank ensured the timely implementation of new regulations on market risk capital by further optimising its business process and system measurement functions. In response to a complex and severe external situation, the Bank refined its cross-border risk research and analysis mechanisms. Adhering to bottom line thinking and worst-case scenario thinking, the Bank intensified efforts in emergency drills and stress testing. It strengthened the specialised management of market risk, continuously optimised relevant rules and control procedures, and comprehensively improved its market risk management effectiveness.

Strengthening professional market research and judgment capabilities and intensifying securities investment risk management. The Bank improved the market risk limit system for bond investment. It bolstered early warning systems for domestic bond market default risks, reinforced the tracking of US treasury bond yield trends, enhanced its post-investment monitoring and early warning capabilities, and consolidated the asset quality of its bond investment business.

Achieving currency matching between fund source and application to improve exchange rate risk management. It controlled its foreign exchange exposure through currency conversion and hedging, thus maintaining its exchange rate risk at a reasonable level.

Management of Interest Rate Risk in the Banking Book

Based on the principles of "matching, comprehensiveness and prudence", the Bank strengthened the management of interest rate risk in the banking book (IRRBB). Through effective management, control risks within an acceptable level by comprehensively considering factors such as the Bank's risk appetite and risk profile, as well as macroeconomic and market conditions, so as to achieve a reasonable balance between risk and return and thus maximise shareholder value.

The Bank assessed the interest rate risk in the banking book mainly through the analysis of interest rate repricing gaps. Based on changes in the market situation, it made timely adjustments to the structure of its assets and liabilities, optimised its internal and external pricing strategy or implemented risk hedging. It strengthened the management of IRRBB of business lines and branches through risk limits, performance appraisal and other methods. Assuming that the yield curves of each currencies were to shift up or down by 25 basis points in parallel while the structure of on and off-balance sheet assets and liabilities remained unchanged (without taking into consideration changes in customer behaviour, basis risk, etc.), the Group's sensitivity analysis of net interest income on all currencies is as follows:

Unit: RMB million

	As at 31 December 2023				As at 31 December 2022			
Items	**RMB**	**USD**	**HKD**	**Other**	RMB	USD	HKD	Other
Up 25 bps	**(477)**	**(1,016)**	**477**	**219**	(3,294)	(561)	557	28
Down 25 bps	**477**	**1,016**	**(477)**	**(219)**	3,294	561	(557)	(28)

Liquidity Risk Management

Liquidity Risk Management System

The liquidity risk management system of the Bank includes the following basic elements: effective governance structure for liquidity risk management; sound liquidity risk management strategies, policies and procedures; effective identification, measurement, monitoring and control of liquidity risks; complete management information system.

Governance Structure of Liquidity Risk Management

The Board of Directors of the Bank shall bear the ultimate responsibilities for liquidity risk management, examine and approve liquidity risk preference and liquidity risk management strategies. The Senior Management shall perform the implementation of the liquidity risk tolerance level, liquidity risk management strategies approved by the Board of Directors and carry out liquidity risk management. The Board of Supervisors shall supervise and evaluate the performance of the Board of Directors and Senior Management in the liquidity risk management. The Risk Management Department and the Asset and Liability Management Department of the Head Office shall jointly perform the duties of liquidity risk management. Other functional departments of the Head Office and each branch shall cooperate and fulfill their obligations. Each subsidiary shall undertake the duty of their own liquidity management.

Liquidity Risk Management Strategy and Policy

The Bank endeavoured to develop a sound liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling liquidity risk at the institution and Group level, including that of branches, subsidiaries and business lines, thus ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

Adhering to the principal of appropriate balance of safety, liquidity and profitability, and following regulatory requirements, the Bank improved its liquidity risk management in a forward-looking and scientific manner. It enhanced liquidity risk management at the institution and Group level, including that of branches, subsidiaries and business lines. It formulated sound liquidity risk management policies and contingency plans, periodically re-examined liquidity risk limits, further upgraded the early warning system for liquidity risk, and strengthened the management of high-quality liquid assets in order to strike an appropriate balance between risk and return.

Liquidity Risk Management Method

The Bank considered liquidity risk management to be a significant component of asset-liability management, and determined the size, structure and duration of assets and liabilities consistent with the principle of overall balance between assets and liabilities. The Bank established its liquidity portfolio to mitigate liquidity risk, and to minimise gaps in the amount and duration between the funding sources and the use of fund. The Bank refined its financing strategy, taking into consideration various factors including customer risk sensitivity, financing cost and concentration of funding sources. In addition, the Bank prioritised the development of customer deposits; dynamically adjusted the structure of funding sources by market-oriented financing modes, including due to banks and other financial institutions, inter-bank borrowings and bond issuance; and improved the diversity and stability of financing sources.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and due from banks and other financial institutions, balances with central banks, placements with and loans to banks and other financial institutions, loans and advances to customers, etc. In the normal course of business, a proportion of short-term loans contractually repayable will be extended and a portion of short-term customer deposits will not be withdrawn upon maturity. The Group would also be able to meet unexpected net cash outflows by entering into repurchase transactions, and by selling securities and accessing additional funding sources.

Liquidity Risk Management Indicators

As at the end of 2023, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio and Loan-to-deposit ratio of the Bank's domestic operations is shown in the table below (in accordance with the relevant provisions of regulatory authorities in the Chinese mainland):

Unit: %

Ratio		Regulatory standard	As at 31 December 2023	As at 31 December 2022	As at 31 December 2021
Liquidity ratio	RMB	≥25	**55.0**	49.0	49.6
	Foreign currency	≥25	**70.2**	72.6	69.9
Loan-to-deposit ratio	RMB and foreign currency		**82.7**	82.9	82.5

Liquidity gap analysis is one of the methods used by the Bank to assess liquidity risk. Liquidity gap results are periodically calculated, monitored and used for sensitivity analysis and stress testing. As at the end of 2023, the Bank's liquidity gap was as follows (please refer to Note VI.4 to the Consolidated Financial Statements):

Unit: RMB million

Items	**As at 31 December 2023**	As at 31 December 2022
Overdue/undated	**2,382,312**	2,218,871
On demand	**(9,249,233)**	(9,450,803)
Up to 1 month	**(741,082)**	(659,277)
1-3 months (inclusive)	**(731,795)**	(712,141)
3-12 months (inclusive)	**(803,353)**	(627,361)
1-5 years (inclusive)	**2,979,417**	3,415,321
Over 5 years	**8,920,549**	8,378,691
Total	**2,756,815**	2,563,301

Note: Liquidity gap = assets that mature in a certain period – liabilities that mature in the same period.

Please refer to Supplementary Information II.1 to the Consolidated Financial Statements for the liquidity coverage ratio and net stable funding ratio.

Main Factors Affecting Liquidity Risk

Liquidity risk may arise from the following events or factors: materially adverse changes in market liquidity, withdrawal of customers' deposits, drawing of loans by customers, overdue payment of debtors, debtor default, mismatch between assets and liabilities, difficulties in asset realisation, weakened financing ability, operating losses, and risks associated with the Bank's affiliates.

Liquidity Risk Stress Test

The Bank continually improved its liquidity stress-testing scheme. In addition to performing stress tests on a quarterly basis, stress tests are also carried out in response to changes in the macro environment. The test results indicated that the Bank had adequate payment ability to cope with distressed scenarios.

Information Technology Risk Management

The Bank incorporated IT risk into its comprehensive risk management system, improved IT risk management measures, and continuously carried out effective identification, measurement, assessment, monitoring, control and reporting of IT risk in order to reduce and control IT risk at an appropriate level. Relying on the Financial Digitisation Committee, the Bank coordinated and promoted the construction of the Group's IT risk management system and cybersecurity protection system.

The Bank established a network security operation centre covering the Group, realised all-round protection of systems, networks, terminals, data and other protected objects by relying on a full-field and deepening cybersecurity defense system, and became able to respond quickly and effectively to large-scale cyberattacks. It fulfilled the responsibility for data security, promoted data security protection throughout the lifecycle, and was among the first in the financial industry to pass the data security management certification to ensure customer information security. In 2023, the Bank effectively prevented and controlled external attack events, and blocked external attacks such as intrusion attempts, scanning detection and social engineering, and the on-time threat handling rate up to 100%. It did not experience any significant cybersecurity, information security or privacy breach incidents.

Reputational Risk Management

The Bank earnestly implemented regulatory requirements on reputational risk management, and continued to enhance its reputational risk management mechanisms. It pressed ahead with the routine development and whole-process management of reputational risk, so as to enhance its reputational risk management capabilities. Placing great importance on prevention, the Bank intensified risk source control and governance and dealt appropriately with reputational risk events, thus effectively protecting its brand reputation. In addition, it stepped up reputational risk management training so as to enhance employees' risk prevention awareness and foster a strong culture of reputational risk management.

Internal Control and Operational Risk Management

Internal Control

The Board of Directors, senior management and their special committees earnestly performed their duties regarding internal control and supervision while emphasising risk warning and prevention, thus improving the Group's level of operational compliance. The Bank continued to adopt the *Basic Standard for Enterprise Internal Control* and its supporting guidelines and implemented the *Guidelines for Internal Control of Commercial Banks* by following the basic principles of "complete coverage, checks and balances, prudence and correspondence", so as to promote internal control governance and an organisational structure characterised by reasonable delegation of work, well-defined responsibilities and clear reporting lines.

The Bank established and implemented the "Three Lines of Defence" mechanism for internal control. The first line of defence consists of business departments and all banking outlets. They are the owners of, and are accountable for risks and controls. They undertake self-directed risk control and management functions in the course of their business operations, including formulating and implementing policies, conducting business examination, reporting control deficiencies and organising rectifications. The internal control and risk management departments of the Bank's institutions at all levels form the second line of defence. They are responsible for the overall planning, implementing, examining and assessment of risk management and internal control, as well as for identifying, measuring, monitoring and controlling risks, and they actively organised Bank-wide usage of the Group's operational risk monitoring and analysis platform, and are responsible for handling employee violations and management accountability. Through regular monitoring of material risks, the Bank identified and mitigated risks in a timely manner and promoted the optimisation of its business processes and systems. The third line of defence rests in the Audit Department of the Bank. The Audit Department is responsible for performing internal audits of the Bank's internal control and risk management in respect of its adequacy and effectiveness. Emphasising key problems and upholding a risk-oriented principle, it made great efforts to improve the foresight of its work. Focusing on the implementation of national policies, regulatory requirements and the Group's strategies, the Audit Department concentrated its efforts on its main responsibilities of audit supervision, closely monitored material potential risks and weak links, and carried out audit inspections as scheduled. The Audit Department attached equal importance to problem discovery and rectification supervision. It conducted independent evaluation of the quality and effectiveness of both audit findings and the rectification mechanism, and continuously promoted the application of audit results and the improvement of rectification quality and effectiveness. It established and promoted a coordination and connection mechanism with other supervisory bodies, and improved the capabilities of the first and second lines of defence.

The Bank further improved its mechanism for internal control over case prevention, consolidated the liabilities of primary responsible parties and took multiple control measures. It consistently improved internal control rules, processes and systems, and carried out a special campaign regarding case prevention in high-risk areas, thereby continuously improving its internal control and case prevention management. The Bank also focused on internal control inspection and the rectification of findings, established a notification mechanism for warning and education activities on a regular basis, raised employees' compliance awareness and fostered an internal control compliance culture.

The Bank established a sound financial accounting policy framework. Strictly abiding by the requirements of various accounting laws and regulations, the Bank continued to consolidate the accounting foundation, as such, the level of standardisation and refinement of its financial accounting management was continuously improved. The Bank also insisted on strengthening the quality management of accounting information and further improving basic accounting work, so as to establish a long-term mechanism for basic accounting work.

In 2023, the Bank succeeded in preventing 114 external cases and RMB219.9007 million.

Operational Risk Management

The Bank continuously improved its operational risk management system. It promoted the application of operational risk management tools, including Risk and Control Assessment (RACA), Key Risk Indicators (KRI) and Loss Data Collection (LDC), etc., carried out the identification, assessment and monitoring of operational risks, further standardised its operational risk reporting mechanism, and improved its risk management measures, in order to steadily and robustly advance the implementation of new capital rules for operational risk. The Bank enhanced its IT system support capabilities by optimising its operational risk management information system. It strengthened its business continuity management system, optimised its operating mechanism, enhanced its business continuity policies and performed business impact analysis. The Bank also refined contingency plans and carried out business continuity drills, thus improving the Group's business continuity capacity.

Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the Group's sound operation and sustainable development.

Improving its AML and sanctions compliance program to further enhance money laundering and sanctions compliance risk control. The Bank continued to streamline due diligence mechanism, enhanced control of high-risk customers and transactions, and strengthened inspection and supervision; optimised methodology and implementation of money laundering risk assessment; advanced suspicious transaction monitoring procedures and models, and improved monitoring and analysing capabilities; upgraded anti-money laundering-related IT systems which promoted digitalisation level. It continued to carry out various forms of compliance training, so as to enhance all employees' compliance awareness and abilities; continued to develop its long-acting management framework for its overseas institutions' compliance and consolidated management foundations, thus enhancing the compliance management capabilities.

Continuously enhancing the management of connected transactions and internal transactions. The Bank implemented new regulatory rules on connected transactions, improved its connected transactions management mechanism, strengthened management of connected parties, reinforced data governance of connected transactions, and consolidated the foundations of its connected transactions management. It stepped up efforts in the identification, monitoring, disclosure and reporting of connected transactions, standardised the management of internal transactions, and strictly controlled transaction risks. It also pushed forward system optimisation and enhanced the automatic management of connected transactions.

Country Risk Management

The Bank incorporates country risk management into its comprehensive risk management system in strict accordance with regulatory requirements. It manages and controls country risk through a series of management tools, including country risk ratings, country risk limits, statistics and monitoring of country risk exposures, and provisioning of country risk allowances.

In 2023, facing an extremely complicated international political and economic situation, the Bank continued to strengthen country risk management in strict accordance with regulatory requirements based on business development needs. It amended country risk management policies, re-examined country risk ratings and limits, and strengthened the monitoring and early warning of limit implementation. It also stepped up efforts in the monitoring and reporting of country risk, conducted stress testing on country risk, and enhanced its country risk management system. The Bank actively implemented the provisioning of country risk allowances and enhanced its ability to mitigate country risk. As at the end of 2023, country risk exposures were mainly concentrated in countries and regions with low and relatively low country risk, and the Group's overall country risk was controlled at a reasonable level.

CAPITAL MANAGEMENT

The Bank's capital management objectives are to ensure reasonable capital adequacy, support the implementation of the Group's strategies, resist various risks including credit risk, market risk and operational risk, ensure the compliance of the Group and related institutions with capital regulatory requirements, promote the Group's transformation towards capital-light business development and improve its capital use efficiency and value creation capabilities.

The Bank implemented the "14th Five-Year" capital management plan, focused on the requirements of high-quality development, adhered to the principle of attaching equal importance to endogenous accumulation and external supplementation, increased the cohesion of strategic planning, capital replenishment and performance assessment, continuously optimised management measures, continuously enhancing its risk resilience, and better supporting the development of the real economy. It enhanced its economic capital budget and assessment mechanism, strengthened the application of value creation indicators in resource allocation, and heightened the Group's awareness of capital saving and value creation in order to enhance its capability for endogenous capital accumulation. The Bank expanded the application of advanced approaches of capital measurement, optimised its on and off-balance sheet asset structure, strived to reduce capital consumption, actively developed capital-light businesses, and reasonably controlled the risk weighting of assets. It regularly carried out and continuously optimised its internal capital adequacy assessment process, improved risk assessment methods and stress tests, and optimised its capital management governance structure. The Bank made prudent use of external financing channels in order to replenish and consolidate its capital base, and advanced its preparations for meeting total loss-absorbing capacity (TLAC) requirements and the *Capital Rules for Commercial Banks*.

In 2023, the Bank successfully issued RMB30.0 billion of undated capital bonds and RMB220.0 billion of tier 2 capital bonds, further enhancing its capital strength. It reinforced the management of existing capital instruments and redeemed RMB80.0 billion of domestic tier 2 capital bonds, effectively reducing the cost of capital. A capital replenishment plan of RMB450.0 billion capital instruments and RMB150.0 billion of total loss-absorbing capacity non-capital debt instruments supplement have been approved by the Shareholders' Meeting. The Bank continually reinforced internal management, with RWA growing at a slower pace than that of total assets. As at the end of 2023, the Group's capital adequacy ratio reached 17.74%, an increase of 0.22 percentage points compared with the prior year-end, remaining at a robust and reasonable level in compliance with the objectives of the Group's 14th Five-Year Plan.

Capital Adequacy Ratios

As at the end of 2023, the capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* are listed below:

Unit: RMB million, except percentages

	The Group			The Bank		
Items	**As at 31 December 2023**	As at 31 December 2022	As at 31 December 2021	**As at 31 December 2023**	As at 31 December 2022	As at 31 December 2021
Net common equity tier 1 capital	**2,161,825**	1,991,342	1,843,886	**1,811,259**	1,667,405	1,563,789
Net tier 1 capital	**2,570,272**	2,372,990	2,173,731	**2,210,766**	2,036,912	1,883,294
Net capital	**3,297,408**	2,946,471	2,698,839	**2,928,122**	2,590,185	2,391,365
Total risk-weighted assets	**18,591,278**	16,818,275	16,323,713	**16,526,513**	14,659,455	14,142,899
Common equity tier 1 capital adequacy ratio	**11.63%**	11.84%	11.30%	**10.96%**	11.37%	11.06%
Tier 1 capital adequacy ratio	**13.83%**	14.11%	13.32%	**13.38%**	13.89%	13.32%
Capital adequacy ratio	**17.74%**	17.52%	16.53%	**17.72%**	17.67%	16.91%

The capital adequacy ratios met additional regulatory requirements for systemically important banks. Please refer to Note VI.6 to the Consolidated Financial Statements and *Bank of China Limited Capital Adequacy Ratio Report of 2023* for detailed information.

Leverage Ratio

As at the end of 2023, the leverage ratio calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* is listed below:

Unit: RMB million, except percentages

Items	**As at 31 December 2023**	As at 31 December 2022
Net tier 1 capital	**2,570,272**	2,372,990
Adjusted on- and off-balance sheet exposures	**34,785,923**	31,001,982
Leverage ratio	**7.39%**	7.65%

The leverage ratio met additional regulatory requirements for systemically important banks. Please refer to Supplementary Information II.5 to the Consolidated Financial Statements for detailed information.

ORGANISATIONAL MANAGEMENT, HUMAN RESOURCES DEVELOPMENT AND MANAGEMENT

Organisational Management

As at the end of 2023, the Bank had a total of 11,485 institutions worldwide, including 10,951 institutions in the Chinese mainland and 534 institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. Its commercial banking business in the Chinese mainland (Including head office, tier-1 branches, direct branches, tier-2 branches and outlets) comprised 10,299 institutions, including 38 tier-1 and direct branches, 372 tier-2 branches and 9,888 outlets.

The geographic distribution of the organisations and employees of the Bank is set forth below:

Unit: RMB million/unit/person, except percentages

	Assets		Organisations		Employees	
Items	**Total assets**	**% of total**	**Number**	**% of total**	**Number**	**% of total**
Northern China	9,726,324	28.50%	2,163	18.83%	63,696	20.75%
Northeastern China	1,070,711	3.14%	896	7.81%	22,812	7.43%
Eastern China	7,778,972	22.80%	3,462	30.14%	92,155	30.02%
Central and Southern China	5,493,608	16.10%	2,729	23.76%	65,914	21.48%
Western China	2,454,100	7.19%	1,701	14.81%	37,250	12.14%
Hong Kong (China), Macao (China) and Taiwan (China)	5,228,040	15.32%	406	3.54%	18,807	6.13%
Other countries and regions	2,372,795	6.95%	128	1.11%	6,297	2.05%
Elimination	(1,692,384)					
Total	32,432,166	100.00%	11,485	100.00%	306,931	100.00%

Note: The proportion of geographic assets was based on data before intra-group elimination.

Human Resources Development and Management

With a focus on the Group's strategic priorities and performance appraisal, the Bank strengthened the allocation of human resources in key regions, continuously optimised its personnel structure and enhanced the Group's overall operational capabilities. It advanced the development of talented teams and improved the quality and efficiency of personnel training through post-specific training, project exercises, specialised training, job exchange and job rotation, etc. It continued to refine professional qualification management, comprehensively optimised its staff education and training system, and improved employees' overall professional competence. It increased the introduction of talents, launched global campus recruitment 2024, provided more than 13,000 jobs, and supported and promoted the employment of college graduates.

As at the end of 2023, the Bank had 306,931 employees. There were 281,827 employees in the Chinese mainland, of which 267,016 worked in the Bank's commercial banking business in the Chinese mainland (including Head Office, tier-1 branches, direct branches, tier-2 branches and outlets). The Bank had 25,104 employees in Hong Kong (China), Macao (China), Taiwan (China) and other countries. As at the end of 2023, the Bank bore costs for a total of 4,934 retirees.

Composition of Staff by Gender, Age Group and Education Level

Items	The Group	Commercial banking business in the Chinese mainland	Overseas institutions and comprehensive operation companies
Composition of Staff by Gender			
Female	57.07%	57.49%	54.26%
Male	42.93%	42.51%	45.74%
Composition of Staff by Age Group			
Up to 30	23.37%	22.79%	27.23%
Between 31 and 40	35.66%	35.07%	39.63%
Between 41 and 50	20.98%	21.14%	19.89%
51 and above	19.99%	21.00%	13.25%
Composition of Staff by Education Level			
Master's degree and above	10.30%	8.01%	25.64%
Bachelor's degree	71.86%	74.51%	54.13%
Associate degree	14.57%	14.82%	12.92%
Other	3.27%	2.66%	7.31%

Composition of Staff by Job Function (Commercial banking business in the Chinese mainland)

Items	Commercial banking business in the Chinese mainland	Items	Commercial banking business in the Chinese mainland
Corporate banking	17.30%	Operation services and financial management	7.17%
Personal banking	18.32%	Risk and internal control management	9.04%
Financial markets	0.35%	Information technology	3.86%
Cross-marketing and teller	34.75%	Other	9.21%

Remuneration

The Bank continuously improved its incentive and constraint mechanism, established an assessment mechanism combining "annual assessment + long/short-cycle assessment" and "performance assessment + value assessment", strengthened its assessment of employees' contributions to serving the real economy, developing inclusive finance and supporting private enterprises, and guided the establishment of an appropriate perspective on performance.

The Bank's remuneration policy is in line with corporate governance requirements, business development strategies, market positioning and talent competition strategies. The Board of Directors of the Bank has set up the Personnel and Remuneration Committee to assist it in reviewing the Bank's human resources and remuneration strategies. An independent director serves as Chairman of the Committee. Please refer to the section "Corporate Governance – Special Committees of the Board of Directors" for details of the work progress of the Personnel and Remuneration Committee. Based on the human resources and remuneration strategies determined by the Board of Directors, the Senior Management of the Bank is responsible for formulating rules and regulations for remuneration management.

The Bank's remuneration distribution policy follows the principle of "remuneration by post, payment by performance". Employee remuneration consists of basic salary, performance-based remuneration and benefits. Basic salary is determined by the value of the position and the ability of employees to perform their duties. Performance-based remuneration depends on performance evaluation results of the Group, the institution or department of the employee, and the employee, and is linked to performance, risk, internal control, ability and other factors. Deferred payment is required for more than 40% of the performance-based remuneration of personnel who are responsible for the Group's major risk management and control functions, with a deferred payment period of not less than three years. The Bank has formulated and implemented a recourse and recovery mechanism for performance-based remuneration of senior management members and personnel in key posts. If risk losses falling within such employees' remit and responsibility are clearly exposed during the term of service, the Bank may recover part or all of the performance-based remuneration paid within the corresponding period, and stop the payment of the part that has not been paid. The Bank implements the recourse and recovery mechanism according to regulatory requirements and the above-mentioned rules, and reports the results of such implementation to the Board of Directors every year. In 2023, the Bank implemented this mechanism in relation to 2,059 employees, and recovered a total of RMB22.75 million. Benefits mainly include social insurance, housing provident fund, enterprise annuity and other non-cash remuneration, and are managed in accordance with local regulatory policies. The Bank's remuneration policy applies to all employees who have established a labour contract relationship with the Bank, with no exceptions beyond the remuneration policy.

The Bank has established an allocation mechanism for its total remuneration resources, formulated an annual remuneration plan in strict accordance with relevant policies and its management needs, and filed information with the relevant authority. The distribution of total remuneration resources to branches is linked to their completion of comprehensive contribution goals, taking full consideration of risk factors so as to focus on risk-adjusted value creation and enhance long-term performance. In general, the Bank accomplished its annual goal on finance, risks and social responsibilities. The Bank continued to improve its internal remuneration distribution structure and allocated more remuneration resources to primary-level institutions and employees in order to effectively boost the driving force that fuels the sustainable development of the Bank.

Staff Education and Training

The Bank earnestly implemented the latest national requirements on education and training, continuously optimised the education and training system, and made the training work more scientific, institutionalised and standardised. Highlighting political training, the Bank carried out in-depth study of the guiding principles of the Central Financial Work Conference, among others, and advanced the rotation and training of cadres at all levels as planned. It strengthened the training of duty performance ability, and carried out core personnel training sessions on strategic key business, comprehensive risk management and internationalisation focusing on "the country's most fundamental interests" and the Group's key tasks while in line with organisational needs, post needs and employee needs. Adhering to the principle of "taking office after obtaining qualifications", the Bank intensified efforts in professional qualification training, and gradually improve the systematic and standardised level of professional qualification training. It actively performed corporate social responsibilities, incorporated ESG-related content into employee training at all levels, and launched training on professional ethics, anti-corruption, integrity and self-discipline, consumer protection, etc. through face-to-face training, online live broadcasting and morning and evening study. It provided guarantee for all kinds of business in terms of compliance. Employees at all levels of the Bank participated in various kinds of training and learning through online and offline channels, spending an average of 55.32 hours on education and training during the year.

OUTLOOK

In 2024, the global geopolitical and economic landscape remains characterised by a mix of uncertain and destabilising factors, and continues to face multiple risks and challenges. Global economic growth momentum is continuing to slow, and the performance of major economies is expected to diverge further. The global industrial chain is accelerating its restructuring, and the contribution of emerging markets to the global economy is expected to increase. The Chinese economy will continue to rebound and improve, economic vitality will continue to increase, social expectations will continue to improve and achieve effective improvement in quality and reasonable growth in quantity.

Amid an external environment that blends opportunities and challenges coexist, the Bank will fully implement the decisions and plans of the Central Financial Work Conference and the Central Economic Work Conference. Taking serving the real economy as its mission, risk prevention and control as an eternal theme, consolidating and expanding the advantages in globalisation and enhancing global layout capabilities as primary tasks, and improving market competitiveness and serving national strategies as the core, the Bank will identify the converging point, the starting point and the supporting point for implementing the decisions and plans of the CPC Central Committee while achieving high-quality self-development. It will enhance strategic resilience, seek progress while maintaining stability, promote stability through progress, and establish the new before abolishing the old. At the same time, the Bank will firmly stay on the path of financial development with Chinese characteristics, and break new ground in pursuing high-quality development while serving Chinese modernisation and contributing to the building of a nation with a strong financial sector.

First, the Bank will focus on advancing the "five major tasks" of technology finance, green finance, inclusive finance, pension finance and digital finance, optimise financial supply, and improve service quality and efficiency. Proceeding from the implementation of national strategies, the Bank will accelerate customer expansion and product and service upgrade in the technology field, continue to consolidate its competitive advantages in green finance, step up efforts in benefiting the people through inclusive finance, and keep expanding its influence in the pension financial market. It will capitalise on digital finance to propel reform and development, strive to optimise the fund supply structure, and form a joint force to promote high-quality economic and social development. Meanwhile, the Bank will strengthen the overall planning and coordinated promotion of technology finance, green finance, inclusive finance, pension finance and digital finance, provide customers with diversified, comprehensive, professional and integrated financial products and service systems, and improve the competitiveness and accessibility of its products and services.

Second, the Bank will support the expansion of effective demand and promote the stable economic growth. It will earnestly fulfill the responsibilities of serving the real economy, focus on key areas and weak links, proactively help to establish modern industrial systems, expand effective investment, support infrastructure construction, provide high-quality services to the national strategy of promoting balanced development between regions, and contribute to consolidate and enhance the positive momentum of economic recovery. The Bank will work harder to meet the people's demands for financial services, build a unified customer information view, a layered and classified customer management system, a collaborative and efficient comprehensive customer service mechanism, and an intensive and convenient business management platform, through which it will improve the level of integrated customer services, and help boost consumption. In 2024, the Bank expects the RMB loans of its Chinese operations to grow by approximately 10%.

Third, the Bank will consolidate and expand its globalised advantages, advance high-level opening-up in finance. It will increase its capability for global business, improve the service network covering the whole world, provide greater financial support for the Belt and Road Initiative, help promote the internationalisation of RMB steadily and prudently, and take the lead in improving the global layout capability. The Bank will build an international reputation for its products and services, focus on enhancing overseas risk management capabilities, and take the lead in building international competitiveness. It will leverage its role as the main channel for foreign trade financial services, seize the opportunity of advancing free trade agreement strategy and supporting high-quality projects under the Belt and Road Initiative, improve the service level of integrated development of domestic and foreign trade, and promote smooth international circulation.

Fourth, the Bank will give full play to its role in comprehensive operations, and proactively build a high-quality comprehensive service system base on collaboration and smooth operation. It will continue to improve the collaborative mechanism, promote interconnectivity in resources, and integrate comprehensive operation into the marketing system featuring global expertise accessible at any point of contact, so as to meet the diversified financial service needs of the real economy. It will also promote standardised development, strengthen compliance management and group governance; focus on the main responsibilities and main businesses, promote the standardised and healthy development of insurance companies, build high-level investment banking and asset management institutions, give full play to the role of financial lease and debt-for-equity swap institutions, meet diversified financing needs, and build a new pattern of comprehensive and high-quality development.

Fifth, the Bank will balance development and security, effectively forestall and defuse financial risks, and serve as a bedrock of financial stability. It will improve its capability to solve problems in the process of development, enhance risk management effectiveness, improve the risk prevention and control mechanism at the source, and achieve positive interaction between high-quality development and high-level security. The Bank will persist in applying systemic thinking, deepen the reform of risk management system, improve the long-effect mechanism for internal control and compliance, raise the quality and effectiveness of traditional risk management, prevent non-traditional risks in all aspects, build a line of defence to ensure safety across the Group, and firmly hold the bottom line of safety.

Environmental and Social Responsibilities

ENVIRONMENT RESPONSIBILITIES

Governance Structure

The Bank adhered to a three-tier governance structure consisting of the Board of Directors, the Senior Management and a professional team, while continuously improving its governance capabilities. The Board of Directors (or its committees) reviews and approves the Group's green finance development plans, green finance objectives and green finance reports, as well as overseeing and evaluating the execution of its green finance development plans. The Green Finance Committee, chaired by the Chief Risk Officer (CRO), is established under the Senior Management. It is responsible for the overall management and professional decision-making related to green finance across the Group, as well as customer ESG risk management. The professional team carries out the Group's green finance work, making solid efforts to advance green finance development. Members of the Board of Directors have extensive experience in environmental (climate) risk management. For example, Non-executive Director Mr. HUANG Binghua has spent a long period at the MOF working on enhancing the environmental and social responsibilities of state-owned enterprises. The Bank held green finance-related training sessions for newly appointed directors, and incorporated indicators regarding contributions to China's dual carbon goals of "peak carbon emissions and carbon neutrality" into the performance assessment of its senior management members, and linked the assessment results to their remuneration.

In 2023, the Board of Directors and its Strategic Development Committee reviewed and approved the report on green finance development in 2022 as well as the green finance objectives set for 2023. The Board of Directors and its Corporate Culture and Consumer Protection Committee reviewed and approved the *Corporate Social Responsibility Report of Bank of China for 2022 (Environmental, Social and Governance)*. The Risk Policy Committee reviewed the risk appetite statement and comprehensive risk management policy, and reviewed the Group's risk reports on a quarterly basis, which include information on customer ESG risk management. The Audit Committee continued to monitor and follow up on updates regarding sustainable development in a timely manner. The Green Finance Committee under the Senior Management reviewed and approved the list of green finance exemplary institutions for 2023, the *Green Finance (TCFD) Report of Bank of China for 2022*, and other proposals, and heard reports on the Group's green finance achievements, key work progress, operational emissions calculation, and the implementation of its operational carbon neutrality roadmap.

Policy System

The Bank continuously enhanced its "1+1+N" green finance policy system to contribute to the national goal of "peak carbon emissions and carbon neutrality". To date, the Bank has developed a policy support package covering 13 areas, including performance assessment and incentive reinforcement, optimisation of economic capital cost management, differentiation of related authorities, and allocation of staff costs, thereby establishing the framework with multiple pillars for its green finance policy system. In 2023, the Bank released the *Guiding Opinions on Further Advancing the Development of Institutions in Pilot Zones for Green Finance Reform and Innovation of Bank of China (2023)*, encouraging institutions in pilot zones to develop innovative green finance products and services in line with the industrial characteristics and green development plans of their respective areas. The Bank also formulated the *2023 Work*

Plan for Green Finance of Bank of China, outlining 45 initiatives across nine areas, including top-level design, business development, ESG risk management, green operation, cooperation and exchanges, and information disclosure. The Bank enacted the *Industry Guidelines on Credit Granting of Bank of China Limited (2023)* and the *Plan for the Management of Industrial Asset Portfolios of Bank of China Limited (2023)*, which define industries such as new energy vehicles, wind power, new-type energy storage, ecological protection, environmental treatment and other industries related to green and low-carbon development as industries of positive growth, and improve supporting policies to channel more credit into these industries. Moreover, the Bank developed or revised credit granting policies for green industries, such as environmental treatment and wind power equipment, providing detailed guidance for business development in terms of customer and project access standards, risk identification and prevention, and credit management strategies.

Customer Environmental (Climate), Social and Governance (ESG) Risk Management

The Bank prioritised the prevention of customer ESG risk in its pursuit of green finance implementation and development. It intensified the standardisation and management of customer ESG risks in terms of risk identification, measurement, assessment, monitoring, reporting, control and mitigation. Employing the TCFD's definition and classification of climate risks, along with that of the Central Banks and Supervisors' Network for Greening the Financial System (NGFS), the Bank identified and analysed the short-term, medium-term and long-term impact of climate risk on its credit risk, market risk, liquidity risk, operational risk, reputational risk, country risk and other major risks, taking into consideration both physical risk and transitional risk perspectives.

The Bank has implemented the *Management Policy on Environmental (Climate), Social, and Governance Risks Associated with Customers of Bank of China*. This policy was formulated in accordance with regulatory requirements and the Group's 14th Five-Year Plan for green finance, as well as the guidelines for climate-related financial risk management and sustainability performance standards issued by the Basel Committee on Banking Supervision, the International Finance Corporation and Equator Principles. This policy has been approved by the Green Finance Committee. The committee is chaired by the CRO, who acts independently from the Group's operational and business lines, and can provide direct updates to the Board of Directors on regarding comprehensive risk management. This policy focuses on corporate banking (including working capital loans and project financing) and other businesses, covering the entire business cycle encompassing risk identification and classification, due diligence, business approval, contract management, fund distribution, post-lending management and post-investment management. The Bank has also integrated environmental protection criteria into the due diligence processes within its investment banking business.

The Bank revised the *Policy on Comprehensive Risk Management of Bank of China Limited*, amending the term "environmental and social risks" to "environmental (climate), social and governance risks", and incorporating these into its comprehensive risk management system. The Bank's risk appetite statement has also been updated to include a qualitative statement about environmental (climate), social and governance risks.

In line with relevant national policies, requirements and relevant agreements signed, the Bank embedded binding requirements for customer environmental and social risk management in over 90 industry credit policies, covering such industries as agriculture, forestry, animal husbandry and fishery, mining and metallurgy, oil, gas and chemicals, construction and real estate, transportation and logistics. (Details can be found in the environmental section of the *Corporate Social Responsibility Report of Bank of China for 2023 (Environmental, Social and Governance))*. The Bank also specified requirements for biodiversity protection in credit policies for key industries such as wind power generation, pumped-storage hydropower, and coal.

The Bank has implemented risk management procedures such as making environmental protection a key consideration, differentiated authorisations and processes, and list-based management to actively regulate and mitigate ESG risks. Within its credit ratings, the Bank employs risk escalation measures based on the environmental protection ratings of its customers, spanning from active support, prudent credit granting or investment, to refusal of credit granting or investment. It takes into account the environmental protection ratings of its customers in its credit assessments. The Bank has clearly outlined the circumstances (for example, violation of national policies and regulatory requirements, failure to meet environmental protection standards, exposure to major environmental and climate risks, destruction of critical habitats, destruction of important biodiversity areas and national nature reserves, illegal logging, illegal fishing, wildlife poaching, blind expansion of oil palm cultivation leading to deforestation, illegal occupation and destruction of forest land, etc.), under which it may decline to provide credit or investment support, urged existing customers to rectify such circumstances, taken meaningful action to mitigate risks, and withdrawn credits once rectification is not feasible. It also uses list-based management for customers with higher ESG risks, undertaking differentiated management of customers on the list and urging them to take effective measures to alleviate ESG risks.

The customer relation departments are mandated to perform due diligence on the ESG risks of customers and projects, determine the critical elements of due diligence based on the industry and regional characteristics of customers and projects, analyse and evaluate relevant risks in business initiation reports and related business management systems, including at least five aspects of customers and their projects, namely the ESG risk evaluation and management systems, laboring and working conditions, pollution prevention and control, biodiversity protection and sustainable natural resource management, and carbon footprint management, and carry out compliance risk reviews. For bond underwriting business, the Bank required customers and projects to be thoroughly examined for ESG risks throughout the whole customer/project selection and business initiation process. For industries with high carbon emissions, such as coal and thermal power, the Bank included ESG risk-related factors, such as customers' environmental protection improvement and governance efforts, environmental impact reports and energy conservation evaluation reports, as an important part of due diligence during the business initiation stage.

The Bank intensified monitoring of customer ESG risks, issued internal risk prompts or warnings for customers and projects in industries or regions designated as high-priority for the rectification of illegal practices by national environmental protection or work safety authorities, tracked and monitored relevant risk events throughout the business process, and adjusted risk levels and disposal measures as needed based on actual conditions.

The Bank continued to improve its customer ESG risk emergency response measures and reporting mechanism, classifying emergency customer ESG risk events into four levels: average, high, severe and extremely severe. Where risk events occur, it required the affected institutions to immediately initiate response plans, take appropriate steps to address the situation in lawful, scientific and efficient manner, and report the event in a timely, objective, true and comprehensive manner based on the principle of tiered response.

The Bank performed the group's stress tests under climate risk macro scenarios, examining the effects of various factors such as temperature rises and carbon emission pricing on the credit risk associated with corporate loans. In terms of its overseas operations, Bank of China (UK) actively advanced climate risk stress testing according to local regulatory requirements, assessing the possible financial impact targeted at transitional risk and physical risk; the Singapore Branch and Paris Branch completed climate risk stress testing for the power industry, establishing information paths for the transmission of transitional risk and physical risk; while the Paris Branch and the Innovation and R&D Research Base (Singapore) carried out exploratory research regarding biodiversity and impact, as well as the strategic response from financial institutions.

The Bank continued to strengthen the intelligent management of green finance. Phase II of the green finance management system was put into operation, enabling intelligent classification of customer ESG risks and customer list export, dynamically monitoring customers' environmental protection information (such as ratings and penalties), and providing intelligent early warning, regular evaluation and full-process control of customer ESG risks.

The Bank conducted internal control and compliance inspections on a regular basis, reviewed green credit data, and completed the internal audit of green finance. It intensified communication with stakeholders, and established a mechanism for thorough, timely and effective communication with government departments, environmental protection organisations, community masses, media and investors.

Objectives and Indicators

In response to the national goal of "peak carbon emissions and carbon neutrality", and in line with the guiding principles of the Central Financial Work Conference, the Bank reviewed its 14th Five-Year Plan and green finance action plan based on market and business developments. It set more proactive and ambitious objectives for green finance development, including increasing its target for new credit to green industries from "no less than RMB1 trillion" to "no less than RMB3 trillion", aiming to scale up investment in green bonds year-by-year, and seeking market leadership in the underwriting of green bonds.

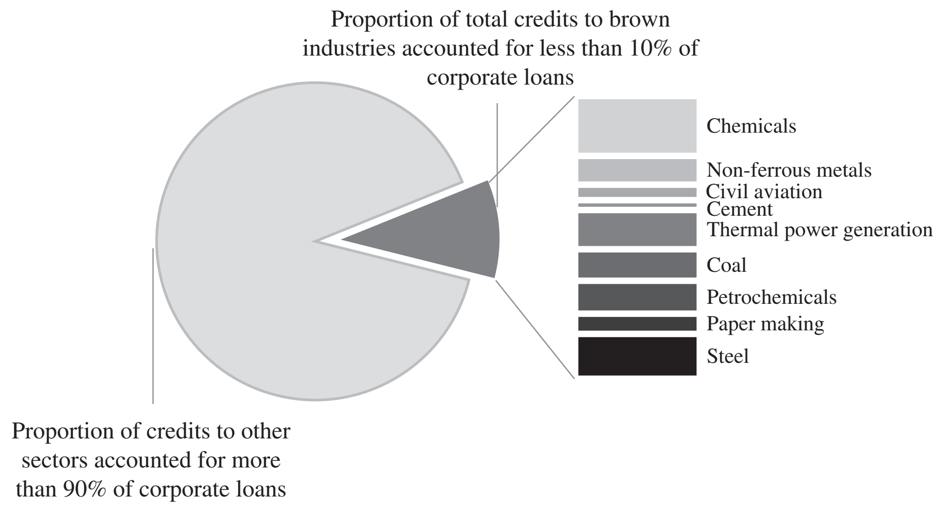
14th Five-Year Plan Period (2021-2025)	Objectives		Completion Progress
	Providing additional credit support of no less than **RMB3 trillion** for green industries.	✔	In 2023, the balance of domestic green credit was RMB3,106.7 billion, **up by RMB1,119.5 billion from 2022**, up by RMB2,209.9 billion from the end of the 13th Five-Year Plan period (2020).
	Year-on-year increase in the balance of green credit of the Bank's domestic operations.	✔	Year-on-year growth of **56.34%**.
	Maintaining asset quality at a sound level.	✔	Non-performing ratio of green credits was less than 0.5%, lower than the Group's overall NPL ratio.
	Scaling up investment in green bonds year-by-year. Leading the market in the underwriting of green bonds.	✔	Investment in green bonds continued to increase, exceeding RMB100 billion as at the end of 2023. The scale of domestic and overseas green bond underwriting ranks 1st in the interbank market and among Chinese peers on Bloomberg's "Global Offshore Green Bonds" ranking respectively.
	Ceasing to provide financing for new coal mining and coal power projects outside Chinese Mainland since 2021Q4 onwards, except where a financing agreement had been signed previously.	✔	In 2023, no financing was added for new coal mining and coal power projects outside Chinese Mainland.

Note: Based on statistical standards for "green credit" of the NFRA

The Bank's "BOC Green+" financial product and service system covers deposits, loans, bonds, consumption and comprehensive services, etc., meeting customer demands for a diverse range of green financial products and services. (For details of the Bank's green product performance, please see the "Management Discussion and Analysis-Business Review-Green Finance" section of this report).

The Bank offered support for the transformation and upgrade of high carbon emissions industries. It tapped into a method system suitable for the carbon accounting of its asset portfolios, and completed pilot accounting of the carbon footprints of its asset portfolios in major carbon-intensive industries. With reference to the *Global GHG Accounting and Reporting Standard for the Financial Industry* released by the Partnership for Carbon Accounting Financials (PCAF), and the *Guide on the Carbon Accounting Technology for Financial Institutions (Trial version)* released by the PBOC, the Bank conducted trial accounting of the carbon emissions related to its corporate loans in major carbon-intensive industries, such as thermal power generation, steel, and building materials.

In 2023, the proportion of brown industries[10] in the corporate credit balance of the Bank's domestic operations was below 10%.



Green Operations

The Bank continued to uphold the concept of green operations. Based on local policy requirements and the actual situation, the Bank has continuously improved the energy and resource management system, vigorously advocated green and low-carbon production mode and life styles, actively carried out energy-saving technology application, green electricity utilisation and other work, continued to promote the control and reduction for the total consumption and consumption intensity of all kinds of energy and resources, and assisted the implementation of the "peak carbon emissions and carbon neutrality" goal with practical actions. The Bank compiled the Group's environmental footprint inventory, including greenhouse gas (GHG) emissions, water, paper usage, waste and green buildings in 2023. The findings show that the group-wide total energy consumption and direct GHG emissions decreased by 2.18% and 4.49% in 2023 compared to 2019, respectively. Phase I of the environmental footprint management system was put into operation, initially enabling the online input and aggregation of environmental footprint data. Green procurement concepts have been integrated into the procurement management system, with the "green procurement" label added to centralised procurement projects. All newly-built or renovated outlets throughout the year met basic standards for green construction. As at the end of 2023, 28 featured outlets for green construction had been built, four of which received external certifications for green construction, carbon neutrality in operations, etc. The Shenzhen Branch released the *Environmental Information Disclosure Report for 2022* and *Carbon Neutrality Plan and Three-Year Action Plan*, to actively implement the concept of green and low-carbon development. BOCHK implemented operational carbon neutrality plans in an orderly manner, meeting four goals of paper purchase, electricity usage, carbon emissions and water consumption as scheduled. A number of institutions, including the Head Office, BOCHK, London Branch and Shanghai Branch, fully implemented energy-saving renovations to their office premises.

[10] The brown industries mentioned herein are the eight major industries under emission control that have been and will be included in the national carbon market as well as the coal industry. Specifically, the eight industries are the thermal power generation, steel, petrochemicals, chemicals, non-ferrous metals, cement, paper making, and civil aviation.

The environmental performance of the Bank's green operations is as follows:

	2023	2022	2021
Total energy consumption (MWh)	**2,764,254**	2,688,308	2,754,463
Total GHG emissions (tCO_2e)	**1,594,093**	1,537,546	1,534,060
GHG emissions for Scope 1 (tCO_2e)	**84,740**	74,899	79,309
GHG emissions for Scope 2 (tCO_2e)	**1,509,353**	1,462,647	1,454,751
GHG emissions for Scope 3 – Wastepaper (tCO_2e)	**4,052**	–	–
GHG emissions for Scope 3 – Kitchen waste (tCO_2e)	**2,414**	–	–
GHG Emissions per employee (tCO_2e per capita)	**5.02**	5.02	4.99
Water consumption (t)	**13,533,157**	13,535,554	13,618,321
Office paper consumption (t)	**8,261**	12,115	12,211
Waste discharge (t)	**41,093**	45,715	45,770

Notes:

1. Calculation is based on the data at the Group level.

2. According to the business scope of the Group, direct operated greenhouse gas emissions from its own operations mainly include carbon dioxide, methane and nitrous oxide. The greenhouse gas emissions from the operation of the Group was mainly incurred by energy consumption, included the emissions of Scope 1 and Scope 2. Scope 1 refers to the direct emissions from combustion of fossil energy, such as gasoline, diesel oil, natural gas, liquefied natural gas, liquefied petroleum gas, fuel oil, coal and coke. Scope 2 refers to the indirect emissions embodied in electric power and heat consumption. Scope 3 refers to indirect emissions from waste paper and kitchen waste treatment.

SOCIAL RESPONSIBILITIES

Serving the real economy

Firmly committed to its role in serving the real economy, the Bank streamlined channels for investing funds and providing greater benefits to a wider array of real economy enterprises. It supported the implementation of China's innovation-driven development strategy, allocating more financial resources to key areas such as technological innovation, advanced manufacturing, and industrial chain and supply chain, and helped accelerate the development of new productive forces and the building of a modern industrial system through high quality technology finance. To support the national coordinated regional development strategy and its major regional strategies, the Bank focused on the construction of key regions and cities, strengthened top-level planning for supporting key regions with financial services, enhanced regional coordination and support capabilities, and provided high-quality financing, intelligent and commercial support for building a regional economic layout characterised by complementary advantages and high-quality development. It consolidated the advantages of its globalised operations, actively promoted links between domestic and international markets and resources, continuously served high-level "Going Global" and high-quality "Bringing-in" initiatives, and contributed to the development of China's new dual circulation development pattern.

As at the end of 2023, the balance of strategic emerging industry loans, loans granted to manufacturing industries, and technology finance loans increased by 74.35%, 28.05% and 30.94%, respectively. It granted more than RMB260.0 billion in credit lines to more than 15,000 state-level and province-level "specialised, refined, featured and innovative" enterprises. It helped to stabilise the scale and optimise structure of foreign trade, with its domestic institutions cumulatively handling USD3.4 trillion of international settlement business in 2023. At the same time, the Bank made prudent and orderly advances in RMB internationalisation, served as the main channel for cross-border RMB circulation, and provided diversified products and services such as RMB settlement, investment, financing and transaction for domestic and overseas customers. The Group recorded cross-border RMB settlement of RMB57.35 trillion for the year, up over 80% year-on-year.

Advancing inclusive finance

As a significant contributor and practitioner to inclusive finance development, the Bank implemented the decisions and plans of the State, provided accurate and effective financial services to a wide range of inclusive finance customers, and enhanced their satisfaction with inclusive financial services. It promoted the comprehensive recovery and innovative progress of market entities, striving to push forward high-quality development in the field of inclusive finance. The Bank deepened its long-acting mechanism for job stabilisation and creation, initiated the Bring Jobs to Families campaign to stabilise and expand employment opportunities, and provided comprehensive inclusive financial services for micro and small-sized enterprises as well as a vast array of employees and entrepreneurs, covering credit services, employment matchmaking, people's livelihood financial needs, skills training, and policy publicity. The Bank Coordinating its products and services in inclusive finance, consumer credit, payment and settlement, and savings and investment, rolled out a special service plan, "Benefitting Merchants

• Promoting Consumption", to meet the financial needs of individual industrial and commercial households. The Bank also formulated the "Micro and Small Foreign Trade Services Inclusive Finance Solutions", carried out special marketing activities based on its eight-pronged service model and gave full play to its unique advantages in cross-border finance, in order to help micro and small-sized foreign trade enterprises achieve steady growth. It introduced ten initiatives to promote financing for micro, small and medium-sized enterprises through the "one chain, one policy and one batch" strategy, and pressed ahead establishing a sound financing ecosystem for those enterprises through such measures as increasing support for chain-enterprise financing, flexibly executing bank-enterprise connections, optimising its chain-enterprise financing policy and reducing chain-enterprise financing costs, promoting the construction of a favorable ecosystem for the financing of micro, small and medium-sized enterprises and boosting their high-quality development.

As at the end of 2023, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises stood at RMB1,758.543 billion, an increase of 43.17% year-on-year. The number of loan customers was 1.07 million, also representing a growth rate of 43.21% year-on-year. The average interest rate of new inclusive finance loans to micro and small-sized enterprises was 3.54%, and the balance of business loans to individual industrial and commercial households was RMB268.9 billion.

Promoting rural revitalisation

The Bank strengthened financial support for agriculture, actively responded to national strategies and helped build a strong agricultural country. It strengthened its top-level design and formulated the *Guiding Opinions of Bank of China Limited on Supporting Agriculture-based Country Development and Realising Agricultural and Rural Modernisation in the 14th Five-Year Plan Period,* the *Work Priorities of Bank of China in Supporting Key Counties for Rural Revitalisation in 2023*, etc. to serve key customers and regions, continuously innovate products, deepen scenario ecosystem, and promote the quality and efficiency improvement of financial services for rural revitalisation. The Bank provided financial services to enable the stable production and supply of grain and other important agricultural products, and strengthened financial support for key areas such as high-standard farmland construction, seed industry revitalisation, grain production, circulation, storage and processing. It accelerated the innovation of agricultural products and services, promoted its "Farmer-Benefitting Loan" products in line with the actual needs of agriculture, rural areas and farmers, and gave priority to supporting self-employed households in the rural industrial chain, such as crop cultivation, aquaculture, forestry, purchase of agricultural products and processing. 1,013 outlets with special rural revitalisation features have been built, forging a pioneer path to serving rural revitalisation with specialised, characteristic and diversified financial services. 20 specialised outlets were located in nationally-designated key counties for rural revitalisation. Meanwhile, BOC Fullerton Community Bank set up 134 village banks in 22 provinces (including municipalities directly under the central government). As at the end of 2023, the Bank's balance of agricultural loans amounted to RMB2,656.079 billion, representing a growth rate of 28.53% year-on-year. The balance of inclusive agricultural loans stood at RMB376.521 billion, with a growth rate of 44.64% year-on-year.

The Bank comprehensively advanced rural revitalisation and vigorously supported the four counties of Chunhua, Yongshou, Changwu and Xunyi in Xianyang City, Shaanxi Province (the "four counties in Xianyang") in consolidating and expanding their poverty alleviation achievements. It formulated the 2023 Work Plan for Paired Assistance and proposed more than 50 specific tasks in areas such as industry development, talent cultivation, cultural advancement, ecological revitalisation and organisation progress. In 2023, the Bank invested RMB80.57 million in anti-poverty funding to the four counties in Xianyang, introduced RMB7.47 million of voluntary assistance funding, and attracted RMB562 million of investments in local areas. It implemented 101 paired assistance projects in sectors including industry, infrastructure, education, and health, etc., and organised training, attracting 32 thousand participations from local primary-level officials, rural revitalisation leaders and technicians from the four counties in Xianyang. Furthermore, the Bank sold RMB215 million worth of agricultural products from areas lifted from poverty nationwide, directly benefiting 650 thousand people.

Protecting the rights and interests of customers

The Bank attached great importance to the protection of consumers' rights and interests, fully integrated consumer protection into its corporate governance, corporate culture building and business development strategies, and pushed forward the in-depth integration of consumer protection with business development and service management. To strengthen examinations of its consumer protection, the Bank developed the *Management Measures for Examination of Consumer Protection of Bank of China Limited*, to clarify the examination entities, examination scope, key points of examination, and examination procedures for consumer protection. The Bank raised employees' awareness of their consumer protection responsibilities, and organised thematic training on consumer protection for middle and senior levels of management, frontline employees and new hires. It has taken primary responsibility of popularizing financial knowledge and educating financial consumers, promoted financial literacy at the request of both targeted and regular supervision, and promoted differentiated financial knowledge publicity for key customer groups including seniors, people with disadvantages, new urban residents, and farmers, as an effort to enhance their understanding of financial products and services and improve national financial literacy.

In 2023, the Bank's overall customer satisfaction was 92.1%, with personal and corporate banking customer satisfaction standing at 90.5% and 96.4%. 276 thousand customer complaint cases were handled, and the completion rate stood at 100%. In addition, the total amount of suspicious transactions intercepted by the Bank's "Cyber Defence" system during the year was RMB56.140 billion. The Bank conducted nearly 75,000 thematic external consumer protection campaigns, recording around 800 million participations.

For more information on the Bank's efforts to ensure the rights and interests of customers, please refer to the section "Report of the Board of Directors – Consumer Rights Protection".

Contributing to public welfare

The Bank remained steadfastly devoted to public welfare. It facilitated people from all walks of life to actively participate in public welfare and charity activities via its "Finance + Public Welfare + Internet" approach, leveraging the Bank of China Philanthropy platform and BOC Charity Foundation. In 2023, 67 organisations were registered on the Bank of China Philanthropy platform, with 124 charitable fundraising activities launched and a total of RMB25 million raised from 778.4 thousand donations. Adhering to the ethos of finance serving the greater good, the Bank amassed resources from both within and outside the Group and deployed them towards public welfare initiatives in flood prevention and disaster relief, education, cultural exchange, environmental protection and other areas. It explored innovative models for elderly care services, built a platform for mutual aid in elderly care, and gave full support to elderly care through public welfare efforts, thus contributing to building a more beautiful society through concrete actions.

For details of the Bank's environmental, social and governance performance, please refer to the *Corporate Social Responsibility Report of Bank of China for 2023 (Environmental, Social and Governance)*.

GOVERNANCE RESPONSIBILITIES

Handling of Petition Matters

The Bank formulated and revised the *Management Measures for Petition Work of Bank of China Limited* to further improve the petition work mechanism. Citizens, legal persons and other organisations can reflect their situations and opinions by telephone, letter, visit and other forms. The Bank has set up a petition office team and petition reception station at the Head Office, and appointed full-time petition staff members at domestic branches to handle letters, calls and visits and listen to the opinions, suggestions and requirements of the visitors. The Bank accepts petition matters put forward by stakeholders in real name or anonymous form, fully protects the personal privacy and safety of petitioners, and prohibits anyone from retaliating against the informants in any form.

Strengthening employee management

The Bank formulated the *Code of Conduct for Employees* and the *Detailed Rules for Employee Conduct*, in which it improved the basic professional standards for employees of the Bank, set the standards for employee conduct, defined the boundaries of employee conduct, highlighted the requirements for the conduct of key positions in all business lines, with a focus on potential risks arising from improper behaviours in business lines, and encouraged employees to maintain good professional ethics in terms of due diligence, withdrawal from duties, confidentiality and integrity.

BOC respects and safeguards the rights and interests of employees, emphasises employee diversity, disallows any disrespect or discrimination based on nationality, ethnicity, religion, age, gender, colour, family background, education, etc., and works hard to create an inclusive and equal workplace. In terms of employment and labour standards, the Bank strictly complies with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of People's Republic of China*, the *Provisions on the Prohibition of Child Labour* of the State Council, and other pertinent laws and regulations, and has formulated the *Management Measures of Bank of China Limited for Employee Recruitment (Version 2024)*. It adopts standardised recruitment procedures and firmly opposes and prohibits any violation of laws and regulations, such as employment of child labour or any form of forced labour. Once recruitment violations occur, the Bank carries out accountability measures in strict accordance with the *Measures for Handling of Employee Violations of Bank of China Limited (Version 2022)* and the *Measures for Management Accountability of Bank of China Limited (Version 2022)*. The Bank has formulated the *Measures on Prudent Remuneration Management of Bank of China Limited* and the *Implementation Measures for Clawing Back Performance Bonus of Bank of China Limited*, adopts a remuneration distribution policy which follows the principle of "remuneration by position, payment by performance", and does not take gender into consideration with regard to remuneration, so as to ensure remuneration equality for both male and female employees. In terms of health and safety, the Bank strictly complies with national laws and regulations, has in place five insurance schemes, provides housing provident funds and enterprise annuities for all its employees, and provides staff benefits such as critical illness insurance and annual medical check-ups to effectively safeguard employees' physical and mental health. In terms of development and training, the Bank continued to strengthen its operational foundations through its talent development strategy, and put into practice the *Talent Development Programme for the 14th Five-Year Plan Period of Bank of China Limited*. In 2023, it formulated the *Management Measures of Bank of China Limited for Employee Education and Training* to promote the science-based, systematic and standardised development of education and training for all employees.

Intensifying anti-corruption efforts and building a Clean Bank

The Bank remained committed to preventing integrity risk, resolutely punished corruption, established a sound monitoring and restraint mechanism, and maintained a tough anti-corruption stance. It adhered to the principle of "not daring to corrupt, not being able to corrupt and not wanting to corrupt", stepped up the investigation and punishment of violations of laws and disciplines, improved mechanisms for restricting and limiting power, and kept strengthening the atmosphere of strict governance.

Attaching great importance to integrity building and anti-corruption of its overseas institutions, the Bank continuously improved governance in its overseas institutions, strengthened supervision, strictly implemented its disciplines at overseas institutions in line with their characteristics. According to local and regional conditions, the overseas institutions strengthened their integrity risk prevention and control measures, enhanced education and supervision, and continuously promoted a robust culture of integrity and compliance in operation. Moreover, the Bank upgraded the supervision system for its overseas institutions, strengthened its supervision capabilities, stepped up supervisory and disciplinary efforts, and implemented the requirements of building a clean bank.

In 2023, the Bank provided routine disciplinary education for all employees by fully utilising books compiled internally, including *My Stories about Building a Clean Bank* and *Awareness Education Reader*. Based on the cases of violations of laws and disciplines investigated, the Bank shot warning educational films, carried out warning education at different levels, and gave warnings with stories happening around them. It made "One Film and One Book" on integrity education concerning escape cases, and fortified a defense line of ideology. For key areas and positions, including the leaders at all levels, as well as those responsible for credit review and approval, asset disposal, public bidding and procurement, and personnel selection and assignment, the Bank brought paper examples to life through screening educational films, announcing cases in violation of laws and regulations, organising site visits to integrity education bases, thoroughly and carefully deciding on, announcing and implementing punishments, among other forms. Each case investigated was analysed and announced for warning, and typical cases were fully studied. For expatriate officials, the Bank strengthened their political ability and awareness of discipline by organising "Minor Classroom" on integrity education, giving lectures on integrity, holding special meetings on awareness education, having heart-to-heart talks and other ways.

Practising a Responsible Procurement Philosophy

With the Group Purchasing Centre leading green and sustainable procurement, the Bank incorporated responsible procurement concepts into its supplier access, procurement, evaluation and management practices. All projects' bid invitation documents clearly required that "suppliers shall not have any record of conduct in violation of laws and regulations or illegal conduct related to environmental protection, employment, and consumer rights protection". In inspecting suppliers and evaluating projects, the Bank carried out assessment on suppliers' commitment to environmental protection, social responsibilities and other aspects. Aside from suppliers' written commitments, project inspections also involved examining suppliers' performance in employment, healthy and safe working environment and labour protection measures, which include environment-friendly equipment and measures, labour contracts and social insurance payments, with these results factored into the overall evaluation. The Bank required all shortlisted suppliers to sign the *Supplier Code of Ethics of Bank of China Limited*, which strictly prohibits commercial bribery, interference in procurement processes, divulgence of confidential information, intentional breach of contract, and any other behaviour that violate the principles of clean operations.

Changes in Shares and Shareholdings of Shareholders

Ordinary Shares

Changes in Ordinary Shares

Unit: Share

	As at 1 January 2023		Increase/decrease during the reporting period					As at 31 December 2023	
	Number of shares	Percentage	Issuance of new shares	Bonus shares	Shares transferred from surplus reserve	Others	Subtotal	Number of shares	Percentage
I. Shares subject to selling restrictions	-	-	-	-	-	-	-	-	-
II. Shares not subject to selling restrictions	**294,387,791,241**	**100.00%**	-	-	-	-	-	**294,387,791,241**	**100.00%**
1. RMB-denominated ordinary shares	210,765,514,846	71.59%	–	–	–	–	–	210,765,514,846	71.59%
2. Overseas listed foreign shares	83,622,276,395	28.41%	–	–	–	–	–	83,622,276,395	28.41%
III. Total Ordinary Shares	**294,387,791,241**	**100.00%**	-	-	-	-	-	**294,387,791,241**	**100.00%**

Notes:

1. As at 31 December 2023, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.

2. As at 31 December 2023, none of the Bank's A Shares and H Shares were subject to selling restrictions.

Number of Ordinary Shareholders and Shareholdings

The number of ordinary shareholders as at 31 December 2023 was 604,343, including 435,870 A-Share Holders and 168,473 H-Share Holders.

The number of ordinary shareholders as at the end of the last month before the disclosure of this report was 584,500, including 416,514 A-Share Holders and 167,986 H-Share Holders.

The top ten ordinary shareholders as at 31 December 2023 are set forth below:

Unit: Share

No.	Name of ordinary shareholder	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total ordinary shares	Number of shares subject to selling restrictions	Number of shares pledged, labelled or frozen	Type of shareholder	Type of ordinary shares
1	Central Huijin Investment Ltd.	330,372,926	188,791,906,533	64.13%	–	None	State	A
2	HKSCC Nominees Limited	(17,876,469)	81,741,180,414	27.77%	–	Unknown	Foreign legal person	H
3	China Securities Finance Co., Ltd.	–	7,941,164,885	2.70%	–	None	State-owned legal person	A
4	Central Huijin Asset Management Ltd.	–	1,810,024,500	0.61%	–	None	State-owned legal person	A
5	HKSCC Limited	79,408,488	1,490,349,817	0.51%	–	None	Foreign legal person	A
6	MUFG Bank, Ltd.	–	520,357,200	0.18%	–	Unknown	Foreign legal person	H
7	China Pacific Life Insurance Co., Ltd. – China Pacific Life Insurance Dividend Equity Portfolio (Traditional) with management of Changjiang Pension Insurance Co., Ltd.	–	333,000,000	0.11%	–	None	Other	A
8	Industrial and Commercial Bank of China – SSE 50 Exchange Traded Open-End Index Securities Investment Funds	256,936,000	256,936,000	0.09%	–	None	Other	A
9	Industrial and Commercial Bank of China Limited – Huatai Bairui CSI 300 ETF	70,592,300	157,050,769	0.05%	–	None	Other	A
10	Abu Dhabi Investment Authority	123,285,217	123,285,217	0.04%	–	None	Foreign legal person	A

Notes:

1. The number of shares held by H-Share Holders was recorded in the register of members kept at the H-Share Registrar of the Bank.

2. The number of shares held by HKSCC Nominees Limited is the aggregate number of the Bank's H Shares it held as the nominee for all the institutional and individual investors that maintained accounts with it as at 31 December 2023.

3. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd.

4. The number of shares held by HKSCC Limited is the aggregate number of the Bank's A Shares it held as a nominee holder who holds securities on behalf of others, including the number of SSE-listed securities acquired by Hong Kong SAR and overseas investors through Shanghai-Hong Kong Stock Connect.

5. Save as disclosed above, the Bank is not aware of any connected relation or concerted action among the aforementioned ordinary shareholders.

6. On 11 October 2023, the Bank was informed by Huijin, the controlling shareholder of the Bank, that Huijin had increased its shareholding in the Bank on the same day through the trading system of the SSE and intended to continue to increase its shareholding in the Bank in the following six months ("the shareholding increase"). As of 31 December 2023, under the shareholding increase, Huijin had increased its shareholding in the Bank by 330,372,926 shares, and held a total of 188,791,906,533 shares of the Bank.

As at 31 December 2023, the top ten shareholders' lending of shares from participation in refinancing business are set forth below:

Unit: Share

Name of shareholder	Shares held in ordinary securities account and credit securities account at the beginning of the reporting period		Shares lent and unreturned in the refinancing business at the beginning of the reporting period		Shares held in ordinary securities account and credit securities account at the end of the reporting period		Shares lent and unreturned in the refinancing business at the end of the reporting period	
	Aggregate number	Percentage of total issued ordinary shares	Aggregate number	Percentage of total issued ordinary shares	Aggregate number	Percentage of total issued ordinary shares	Aggregate number	Percentage of total issued ordinary shares
Industrial and Commercial Bank of China – SSE 50 Exchange Traded Open-End Index Securities Investment Funds	–	–	–	–	256,936,000	0.09%	1,694,600	0.001%
Industrial and Commercial Bank of China Limited – Huatai Bairui CSI 300 ETF	86,458,469	0.03%	–	–	157,050,769	0.05%	150,400	0.0001%

As at 31 December 2023, the changes in top ten shareholders compared to the last reporting period are set forth below:

Unit: Share

Name of shareholder	Entry/exit during the reporting period	Shares lent and unreturned in the refinancing business at the end of the reporting period		Shares held in ordinary securities account, credit securities account and shares lent and unreturned in the refinancing business at the end of the reporting period	
		Aggregate number	Percentage of total issued ordinary shares	Aggregate number	Percentage of total issued ordinary shares
Industrial and Commercial Bank of China – SSE 50 Exchange Traded Open-End Index Securities Investment Funds	Entry	1,694,600	0.001%	258,630,600	0.09%
Industrial and Commercial Bank of China Limited – Huatai Bairui CSI 300 ETF	Entry	150,400	0.0001%	157,201,169	0.05%
Abu Dhabi Investment Authority	Entry	–	–	123,285,217	0.04%
China Merchants Bank Co., Ltd. – SSE Dividend Traded Open-ended Index Securities Investment Fund	Exit	–	–	91,931,543	0.03%
China Life Insurance Company Limited – traditional – general insurance product – 005L – CT001SH	Exit	–	–	23,947,027	0.01%
Everbright Securities Company Limited	Exit	–	–	20,722,815	0.01%

Note: The Bank is not aware of any participation by relevant H-Share Holders in any margin trading, short selling or refinancing business.

Substantial Shareholder Interests

The register maintained by the Bank under Section 336 of the SFO recorded that, as at 31 December 2023, the shareholders indicated in the following table were substantial shareholders having interests in shares of the Bank (as defined in the SFO):

Name of shareholder	Capacity (types of interest)	Number of shares held/ Number of underlying shares (unit: share)	Type of shares	Percentage of total issued A Shares	Percentage of total issued H Shares	Percentage of total issued ordinary shares
Central Huijin Investment Ltd.	Beneficial owner	188,791,906,533	A	89.57%	–	64.13%
	Interest of controlled corporations	1,810,024,500	A	0.86%	–	0.61%
	Total	190,601,931,033	A	90.43%	–	64.74%
BlackRock, Inc.	Interest of controlled corporations	4,740,662,257	H	–	5.67%	1.61%
		63,935,000 (S)	H	–	0.08%	0.02%

Notes:

1. BlackRock, Inc. held a long position of 4,740,662,257 H Shares and a short position of 63,935,000 H Shares of the Bank through BlackRock Financial Management, Inc. and other corporations controlled by it. In the short position of 63,935,000 H Shares, 29,025,000 H Shares were held through derivatives.

2. (S) denotes short position.

3. Unless stated otherwise, all interests stated above represented long positions. Save as disclosed above, as at 31 December 2023, no other interests (including derivative interests) or short positions were recorded in the register maintained by the Bank under section 336 of the SFO.

Controlling Shareholder of the Bank

Central Huijin Investment Ltd.

Central Huijin Investment Ltd. ("Huijin") is a state-owned investment company established on 16 December 2003 under the Company Law, with Mr. PENG Chun as its legal representative. Wholly owned by China Investment Corporation ("CIC"), Huijin makes equity investments in major state-owned financial institutions, as authorised by the State Council. To the extent of its capital contribution, Huijin exercises its rights and fulfils its obligations as an investor in major state-owned financial institutions on behalf of the State, in accordance with applicable laws aimed at preserving and enhancing the value of state-owned financial assets. Huijin neither engages in other business activities nor intervenes in the daily operation of the major state-owned financial institutions of which it is the controlling shareholder.

As at 31 December 2023, the basic information of companies directly held by Huijin is as follows:

No.	Company name	Proportion of total capital held by Huijin
1	China Development Bank	34.68%
2	Industrial and Commercial Bank of China Limited★ ☆	34.79%
3	Agricultural Bank of China Limited ★ ☆	40.14%
4	Bank of China Limited ★ ☆	64.13%
5	China Construction Bank Corporation ★ ☆	57.14%
6	China Everbright Group Ltd.	63.16%
7	China Export & Credit Insurance Corporation	73.63%
8	China Reinsurance (Group) Corporation ☆	71.56%
9	China Jianyin Investment Limited	100.00%
10	China Galaxy Financial Holding Co., Ltd.	69.07%
11	Shenwan Hongyuan Group Co., Ltd. ★ ☆	20.05%
12	New China Life Insurance Company Limited ★ ☆	31.34%
13	China International Capital Corporation Limited ★ ☆	40.11%
14	Zhong Hui Life Insurance Co., Ltd.	80.00%
15	Evergrowing Bank Co., Limited	53.95%
16	Bank of Hunan Corporation Limited	20.00%
17	China Securities Co., Ltd.★ ☆	30.76%
18	China Galaxy Asset Management Co., Ltd.	13.30%
19	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes:

1. ★ denotes A-Share listed company and ☆ denotes H-Share listed company.

2. Besides the above companies controlled or held by Huijin, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Central Huijin Asset Management Ltd., established in November 2015 and registered in Beijing with registered capital of RMB5 billion, engages in asset management business.

For further details regarding China Investment Corporation, please refer to the information on its website (www.china-inv.cn). Please refer to the *Announcement on Matters Related to the Incorporation of China Investment Corporation* published on 9 October 2007 by the Bank for relevant information regarding China Investment Corporation.

As at 31 December 2023, no other legal-person shareholder held 10% or more voting shares of the Bank (excluding HKSCC Nominees Limited).

Incumbent Non-executive Directors Mr. ZHANG Yong, Mr. ZHANG Jiangang, Mr. HUANG Binghua, Mr. LIU Hui and Mr. SHI Yongyan were recommended by Huijin, shareholder of the Bank.

Preference Shares

Issuance and Listing of Preference Shares in the Past Three Years

The Bank had not issued Preference Shares in the last three years as of 31 December 2023.

Number of Preference Shareholders and Shareholdings

The number of preference shareholders as at 31 December 2023 was 75, including 74 domestic preference shareholders and 1 offshore preference shareholder.

The number of preference shareholders as at the end of the last month before the disclosure of this report was 78, including 77 domestic preference shareholders and 1 offshore preference shareholder.

The top ten preference shareholders as at 31 December 2023 are set forth below:

Unit: Share

No.	Name of preference shareholder	Increase/ decrease during the reporting period	Number of shares held as at the end of the reporting period	Percentage of total preference shares	Number of shares pledged or frozen	Type of shareholder	Type of preference shares
1	Bosera Fund – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-customer Assets Management Plan	–	200,000,000	16.70%	None	Other	Domestic Preference Shares
2	The Bank of New York Mellon Corporation	–	197,865,300	16.52%	Unknown	Foreign legal person	Offshore Preference Shares
3	Hwabao Trust Co., Ltd. – Hwabao Trust – Baofu Investment No.1 Collective Capital Trust Plan	–	136,065,000	11.36%	None	Other	Domestic Preference Shares
4	CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" Open-ended Wealth Management Single Fund Trust	(7,000,000)	105,000,000	8.77%	None	Other	Domestic Preference Shares
5	China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001SH	–	70,000,000	5.84%	None	Other	Domestic Preference Shares
6	Jiangsu International Trust Corporation Limited – JSITC – He Xiang Tian Li No.1 Collective Capital Trust Plan	–	54,540,000	4.55%	None	Other	Domestic Preference Shares
7	BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	(16,400,000)	38,000,000	3.17%	None	Other	Domestic Preference Shares
8	Postal Savings Bank of China Co., Ltd.	(5,700,000)	34,300,000	2.86%	None	State-owned legal person	Domestic Preference Shares
9	Shanghai Tobacco Group Co., Ltd.	–	30,000,000	2.50%	None	State-owned legal person	Domestic Preference Shares
9	Ping An Life Insurance Company of China – Universal – Individual Universal Insurance	–	30,000,000	2.50%	None	Other	Domestic Preference Shares

Notes:

1. The Bank of New York Mellon Corporation, acting as the custodian for all the offshore preference shareholders that maintained accounts with Euroclear and Clearstream as at 31 December 2023, held 197,865,300 Offshore Preference Shares, representing 100% of the Offshore Preference Shares.

2. The Bank is not aware of any connected relation or concerted action among the aforementioned preference shareholders, or among the aforementioned preference shareholders and the Bank's top ten ordinary shareholders.

Profit Distribution of Preference Shares

For the profit distribution policy of the preference shares and the profit distribution arrangements during the reporting period, please refer to the section "Report of the Board of Directors".

Exercising Redemption Rights of Preference Shares

During the reporting period, there was no redemption of the preference shares of the Bank.

Other Information regarding the Preference Shares

During the reporting period, there was no conversion into ordinary shares or voting rights recovery in respect of the preference shares of the Bank.

Preference shares issued by the Bank contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. Preference shares issued are non-derivative instruments that will be settled in the entity's own equity instruments, but includes no contractual obligation for the entity to deliver a variable number of its own equity instruments. The Bank classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs arising from preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

The funds raised from the issuance of preference shares have been fully used to replenish the Bank's additional tier 1 capital and increase its capital adequacy ratio.

Issuance of Other Securities

Please refer to Note V. 31 to the Consolidated Financial Statements for details of bonds issued by the Bank.

No shares of the Bank have been specifically issued to its employees.

Directors, Supervisors and Senior Management Members

Basic Information

Incumbent Directors, Supervisors and Senior Management Members

Incumbent Directors				
Name	**Year of birth**	**Gender**	**Position**	**Term of office as Director**
GE Haijiao	1971	Male	Chairman	From April 2023 to April 2026
LIU Jin	1967	Male	Vice Chairman and President	From June 2021 to the date of the Annual General Meeting in 2024
LIN Jingzhen	1965	Male	Executive Director and Executive Vice President	From February 2019 to the date of the Annual General Meeting in 2024
ZHANG Yong	1968	Male	Non-executive Director	From June 2023 to June 2026
ZHANG Jiangang	1973	Male	Non-executive Director	From July 2019 to June 2025
HUANG Binghua	1966	Male	Non-executive Director	From March 2022 to March 2025
LIU Hui	1972	Male	Non-executive Director	From August 2023 to August 2026
SHI Yongyan	1968	Male	Non-executive Director	From September 2023 to September 2026
Martin Cheung Kong LIAO	1957	Male	Independent Director	From September 2019 to June 2025
CHUI Sai Peng Jose	1960	Male	Independent Director	From September 2020 to June 2025
Jean-Louis EKRA	1951	Male	Independent Director	From May 2022 to May 2025
E Weinan	1963	Male	Independent Director	From July 2022 to July 2025
Giovanni TRIA	1948	Male	Independent Director	From July 2022 to July 2025
LIU Xiaolei	1974	Female	Independent Director	From March 2024 to March 2027

Incumbent Supervisors				
Name	**Year of birth**	**Gender**	**Position**	**Term of office as Supervisor**
WEI Hanguang	1971	Female	Employee Supervisor	From November 2021 to the date of the 2024 Employee Delegates' Meeting
ZHOU Hehua	1975	Male	Employee Supervisor	From November 2021 to the date of the 2024 Employee Delegates' Meeting
JIA Xiangsen	1955	Male	External Supervisor	From May 2019 to the date of the Annual General Meeting in 2025
HUI Ping	1960	Male	External Supervisor	From February 2022 to the date of the Annual General Meeting in 2025
CHU Yiyun	1964	Male	External Supervisor	From June 2022 to the date of the Annual General Meeting in 2025
Incumbent Senior Management Members				
Name	**Year of birth**	**Gender**	**Position**	**Term of office as Senior Management Member**
LIU Jin	1967	Male	Vice Chairman and President	From April 2021
LIN Jingzhen	1965	Male	Executive Director and Executive Vice President	From March 2018
ZHANG Yi	1971	Male	Executive Vice President	From March 2023
ZHANG Xiaodong	1972	Male	Executive Vice President	From March 2023
CAI Zhao	1973	Male	Executive Vice President	From September 2023
LIU Jiandong	1969	Male	Chief Risk Officer	From February 2019
ZHAO Rong	1971	Female	Chief Business and Management Officer	From December 2022
ZHUO Chengwen	1970	Male	Secretary to the Board of Directors and Company Secretary	From March 2024
MENG Qian	1965	Female	Chief Information Officer	From May 2022

Note: During the reporting period, no incumbent director, supervisor or senior management member held any share of the Bank.

Former Directors, Supervisors and Senior Management Members

Name	Year of birth	Gender	Position held before leaving post	Term of office
WANG Wei	1963	Male	Executive Director and Executive Vice President	From June 2020 to March 2023
XIAO Lihong	1965	Female	Non-executive Director	From August 2017 to June 2023
WANG Xiaoya	1964	Female	Non-executive Director	From August 2017 to June 2023
CHEN Jianbo	1963	Male	Non-executive Director	From June 2020 to April 2023
JIANG Guohua	1971	Male	Independent Director	From December 2018 to February 2024
ZHANG Keqiu	1964	Female	Chairwoman of the Board of Supervisors	From January 2021 to February 2024
LENG Jie	1963	Male	Employee Supervisor	From December 2018 to January 2023
CHEN Huaiyu	1970	Male	Executive Vice President	From April 2021 to February 2023
WANG Zhiheng	1973	Male	Executive Vice President	From August 2021 to January 2023

Notes:

1. No former director, supervisor or senior management member held any share of the Bank during their terms of office.

2. Please refer to the above table for the term of office of Mr. WANG Wei as former Director of the Bank. His term of office as former Executive Vice President of the Bank started from December 2019.

3. Please refer to the Bank's 2022 Annual Report and related announcements for the basic information, changes, and performance information of the Bank's other former directors.

Remuneration of Directors, Supervisors and Senior Management Members Paid in 2023

Name	Position	Remuneration before tax from the Bank in 2023 (Unit: RMB ten thousand)				Remunerated by shareholding companies or other connected parties
		Remuneration paid	Employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund	Other monetary income	Total	
Incumbent Directors, Supervisors and Senior Management Members						
GE Haijiao	Chairman	50.44	17.19	–	67.63	No
LIU Jin	Vice Chairman and President	67.26	22.74	–	90.00	No
LIN Jingzhen	Executive Director and Executive Vice President	60.53	22.01	–	82.54	No
ZHANG Yong	Non-executive Director	–	–	–	–	Yes
ZHANG Jiangang	Non-executive Director	–	–	–	–	Yes
HUANG Binghua	Non-executive Director	–	–	–	–	Yes
LIU Hui	Non-executive Director	–	–	–	–	Yes
SHI Yongyan	Non-executive Director	–	–	–	–	Yes
Martin Cheung Kong LIAO	Independent Director	45.00	–	–	45.00	Yes
CHUI Sai Peng Jose	Independent Director	50.00	–	–	50.00	Yes
Jean-Louis EKRA	Independent Director	45.00	–	–	45.00	Yes
E Weinan	Independent Director	35.00	–	–	35.00	Yes
Giovanni TRIA	Independent Director	40.00	–	–	40.00	Yes
LIU Xiaolei	Independent Director	–	–	–	–	–
WEI Hanguang	Employee Supervisor	5.00	–	–	5.00	No
ZHOU Hehua	Employee Supervisor	5.00	–	–	5.00	No
JIA Xiangsen	External Supervisor	26.00	–	–	26.00	No
HUI Ping	External Supervisor	26.00	–	–	26.00	No
CHU Yiyun	External Supervisor	26.00	–	–	26.00	No
ZHANG Yi	Executive Vice President	50.44	18.43	–	68.87	No
ZHANG Xiaodong	Executive Vice President	50.44	18.43	–	68.87	No
CAI Zhao	Executive Vice President	20.18	7.52	–	27.70	No
LIU Jiandong	Chief Risk Officer	103.75	24.83	2.00	130.58	No
ZHAO Rong	Chief Business and Management Officer	103.75	24.83	2.00	130.58	No
ZHUO Chengwen	Secretary to the Board of Directors and Company Secretary	103.75	24.83	2.00	130.58	No
MENG Qian	Chief Information Officer	103.75	24.83	2.00	130.58	No

Name	Position	Remuneration before tax from the Bank in 2023 (Unit: RMB ten thousand)				Remunerated by shareholding companies or other connected parties
		Remuneration paid	Employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund	Other monetary income	Total	
Former Directors, Supervisors and Senior Management Members						
WANG Wei	Executive Director and Executive Vice President	15.13	5.37	–	20.50	No
XIAO Lihong	Non-executive Director	–	–	–	–	Yes
WANG Xiaoya	Non-executive Director	–	–	–	–	Yes
CHEN Jianbo	Non-executive Director	–	–	–	–	Yes
JIANG Guohua	Independent Director	48.87	–	–	48.87	Yes
ZHANG Keqiu	Chairwoman of the Board of Supervisors	67.26	22.74	–	90.00	No
LENG Jie	Employee Supervisor	0.42	–	–	0.42	No
CHEN Huaiyu	Executive Vice President	5.04	1.79	–	6.83	No
WANG Zhiheng	Executive Vice President	–	–	–	–	No

Notes:

1. In accordance with the government regulations, since 1 January 2015, the Bank remunerates Chairman of the Board of Directors, President, Chairman of the Board of Supervisors and Executive Vice Presidents pursuant to the rules on remuneration reform for central enterprises.

2. The 2023 final remuneration for Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, executive directors and other senior management members is to be determined and will be disclosed in an additional announcement by the Bank.

3. The Bank remunerates directors, supervisors and senior management members who are employed by the Bank with salaries, bonuses, and employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund, as well as other monetary income. Independent directors receive directors' remunerations and allowances. Other directors are not remunerated by the Bank. Chairman of the Board of Directors, executive directors and senior management members do not receive any remuneration from the Bank's subsidiaries.

4. The remuneration for independent directors is determined based on the resolutions of the 2007 Annual General Meeting and the 2019 Second Extraordinary General Meeting. The remuneration for external supervisors is determined based on the resolutions of the 2009 Annual General Meeting.

5. In 2023, Non-executive Directors Mr. ZHANG Yong, Mr. ZHANG Jiangang, Mr. HUANG Binghua, Mr. LIU Hui, Mr. SHI Yongyan, Ms. XIAO Lihong, Ms. WANG Xiaoya and Mr. CHEN Jianbo were not remunerated by the Bank.

6. Some independent directors of the Bank served as independent non-executive directors of other legal entities or organisations, which caused such legal entities or organisations to be defined as connected parties of the Bank. Save as disclosed above, none of the directors, supervisors or senior management members of the Bank was remunerated by the connected parties of the Bank during the reporting period.

7. The above persons' remuneration is calculated on the basis of their actual time working as directors, supervisors or senior management members of the Bank in 2023. Employee supervisors' remuneration above is paid for their service as supervisors of the Bank during the reporting period.

8. For the starting time of the term of office of the above-mentioned directors, supervisors and senior management members, please refer to the section "Basic Information".

9. The Bank incurred RMB13.9755 million in remuneration to its directors, supervisors and senior management members' services in 2023.

Positions Held in Shareholding Companies by Directors, Supervisors and Senior Management Members

Save as disclosed above, in 2023, none of the Bank's directors, supervisors or senior management members held any position in the shareholding companies of the Bank.

Biographies of Directors, Supervisors and Senior Management Members

Directors

GE Haijiao
Chairman

Chairman of the Board of Directors of the Bank since April 2023. Mr. GE joined the Bank in 2023. He served as a member of the Standing Committee of Hebei Provincial Committee of the Communist Party of China and Vice Governor of Hebei Province from November 2021 to March 2023, Vice Governor of Hebei Province from September 2019 to November 2021, Executive Director of China Everbright Group from November 2018 to September 2019, and Executive Director and President of China Everbright Bank from January 2019 to September 2019. From October 2016 to November 2018, he served as Deputy General Manager of China Everbright Group. Prior to that, Mr. GE worked in Agricultural Bank of China for many years, serving as Deputy General Manager of Dalian Branch, General Manager of Singapore Branch, Deputy General Manager (department general manager level) of the International Banking Department of the Head Office and General Manager of Heilongjiang Branch. He has served as Chairman of the Board of Directors of Bank of China Hong Kong (Holdings) Limited since April 2023. Mr. GE graduated from Liaoning University in 1993 and Nanjing Agricultural University in 2008 with a Doctor's Degree in Management. He holds the title of Senior Economist.

LIU Jin
Vice Chairman and President

Vice Chairman of the Board of Directors of the Bank since June 2021 and President of the Bank since April 2021. Mr. LIU joined the Bank in 2021. Prior to that, Mr. LIU served as Executive Director of China Everbright Group from December 2019 to March 2021, President of China Everbright Bank from January 2020 to March 2021, and Executive Director of China Everbright Bank from March 2020 to March 2021. From September 2018 to November 2019, he worked at China Development Bank as its Executive Vice President. Mr. LIU previously worked in Industrial and Commercial Bank of China (ICBC) for many years, serving as Deputy General Manager of its Shandong Branch, Vice Chairman, Executive Director, General Manager of ICBC (Europe) and General Manager of ICBC Frankfurt Branch, General Manager of the Investment Banking Department of its Head Office, and General Manager of its Jiangsu Branch. He served as Chairman of the Board of Directors of BOC Aviation Limited from April 2023 to March 2024. Mr. LIU began to serve as Vice Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited as of August 2021. He graduated from Shandong University in 1993 with a Master of Arts degree. He holds the title of Senior Economist.

LIN Jingzhen
Executive Director and Executive Vice President

Executive Director of the Bank since February 2019 and Executive Vice President of the Bank since March 2018. Mr. LIN joined the Bank in 1987. He served as Deputy Chief Executive of BOC Hong Kong (Holdings) Limited from May 2015 to January 2018, as General Manager of the Corporate Banking Department of the Bank from March 2014 to May 2015, and as General Manager (Corporate Banking) of the Corporate Banking Unit of the Bank from October 2010 to March 2014. Prior to this, he successively served as Deputy General Manager of the Corporate Banking Department and Corporate Banking Unit of the Bank. Mr. LIN served as Chairman of BOC International Holdings Limited from April 2018 to December 2020 and Chairman of BOC International (China) Co., Ltd. from May 2018 to April 2022. He has been serving as Non-executive Director of BOC Hong Kong (Holdings) Limited since August 2018. He graduated from Xiamen University in 1987 and obtained a Master of Business Administration Degree from Xiamen University in 2000.

ZHANG Yong
Non-executive Director

Non-executive Director of the Bank since June 2023. From January 2019 to May 2023, he served as Non-executive Director of China Development Bank. From September 2017 to January 2019, he served as Non-executive Director of China Export & Credit Insurance Corporation. From November 2002 to August 2017, he worked as Deputy General Manager of the Information Management Department and Head of Information Release Division of the Head Office of Industrial and Commercial Bank of China. Mr. ZHANG graduated from Renmin University of China with a Bachelor's Degree of Science in July 1990 and obtained a Master's Degree in Economics from Renmin University of China in January 2000. He holds the title of Senior Economist.

ZHANG Jiangang
Non-executive Director

Non-executive Director of the Bank since July 2019. Mr. ZHANG served as member of the Party Committee, Secretary of Party Discipline Committee, Deputy Secretary-General, and Chairman of the Financial Evaluation Committee of the China Appraisal Society from May 2016 to July 2019. From August 2014 to May 2016, Mr. ZHANG served as Deputy Secretary-General of the China Appraisal Society. From September 2000 to August 2014, he worked in the Department of Personnel and Education of the Ministry of Finance, successively serving as the Principal Staff Member, Deputy Director and Director. From November 1998 to September 2000, Mr. ZHANG served as a cadre of the editorial office of the *State Assets Management* of the Ministry of Finance. From July 1995 to November 1998, he served as a cadre of the former State-owned Assets Administration Bureau. Mr. ZHANG graduated from the China Youth University of Political Studies in July 1995 with a Bachelor's Degree in Law, and obtained a Master's Degree in Management from the Graduate School of the Chinese Academy of Fiscal Sciences of the Ministry of Finance in December 2002. He holds the title of Senior Economist.

HUANG Binghua
Non-executive Director

Non-executive Director of the Bank since March 2022. Mr. HUANG served as Deputy Director of the Department of Asset Management of the Ministry of Finance from August 2018 to March 2022. From September 2015 to August 2018, he served successively as Party Committee Member, Vice Party Secretary, and Deputy Director of the Budget Assessment and Review Center of the Ministry of Finance. From August 2014 to September 2015, he served as Chief of the Comprehensive Division of Department of Asset Management of the Ministry of Finance. From July 2000 to August 2014, he worked at the Department of Enterprises of the Ministry of Finance and successively held the positions of Principal Staff Member, Deputy Chief, Chief of the Third Division of Enterprises, Chief of the State-owned Capital Budget Management Division, Chief of the Enterprise Operation Division, and Chief of the Comprehensive Division. From February 1996 to July 2000, he served at the Department of Property Rights Registration and Asset Statistics of the National State-owned Assets Management Bureau and the Department of Asset Assessment of the Ministry of Finance. Mr. HUANG graduated from the School of Government, Peking University majoring in Administrative Management and obtained a Bachelor's Degree in Law.

LIU Hui
Non-executive Director

Non-executive Director of the Bank since August 2023. Since 1995, Mr. LIU worked successively at the Head Office of Agricultural Development Bank of China, Ping An Insurance Beijing Branch (Life Insurance), and the Finance and Private Sector Development Department of the World Bank Office, Beijing. He joined Central Huijin Investment Ltd. in 2007 and successively worked as Senior Deputy Manager, Senior Manager and Division Chief. Mr. LIU served concurrently as a supervisor of China Securities Co., Ltd., and served as a Non-executive Director of China Export & Credit Insurance Corporation. He graduated from Cambridge University with a Ph.D. degree.

SHI Yongyan
Non-executive Director

Non-executive Director of the Bank since September 2023. In 2011, he joined Central Huijin Investment Ltd. From January 2018 to January 2024, he served as Non-executive Director of China Everbright Group. From May 2018 to July 2020, he served as Non-executive Director of China Everbright Bank. From March 2016 to February 2018, he was a member of the Party Work Committee and Deputy Director of the Administrative Committee of Lanzhou New Area, Gansu Province. From March 2013 to March 2016, Mr. SHI served as Non-executive Director of China Export & Credit Insurance Corporation. From September 2011 to March 2013, he was Head of Research Support Division, Banking Department at Central Huijin Investment Ltd. From March 2006 to September 2011, he worked as Deputy Chief and Consultant at the General Office of the Anti-money Laundering Bureau of the People's Bank of China. From March 2003 to March 2006, he served as cadre and Deputy Chief of the Anti-Money Laundering Division of the Supervision and Inspection Department of the State Administration of Foreign Exchange. Mr. SHI graduated from Peking University with a Bachelor's degree and a Master's degree in Economics, and graduated from Nanyang Technological University, Singapore, with an MBA degree and a Ph.D. degree.

Martin Cheung Kong LIAO
Independent Director

Independent Director of the Bank since September 2019. Mr. LIAO was called to the Bar in England and Wales in 1984 and was called to the Bar in Hong Kong in 1985 and is a practicing barrister in Hong Kong, and is admitted an Advocate and Solicitor of Singapore since 1992. He has been serving as a Member of the Legislative Council of the Hong Kong Special Administrative Region since 2012. Mr. LIAO has also been serving as the Deputy Chairman of The Hong Kong Jockey Club in May 2023, following his prior service as a Steward since April 2013, an Independent Non-executive Director of Hang Lung Group Limited since November 2014, Chairman of the Advisory Committee on Corruption of the Independent Commission against Corruption since January 2019, and standing committee member of the 14th National Committee of the Chinese People's Political Consultative Conference since March 2023. Mr. LIAO has been appointed as a Non-Official Member of the Executive Council of the Hong Kong Special Administrative Region since November 2016. He was appointed as Justice of the Peace in 2004, was awarded the Silver Bauhinia Star in 2014 and was awarded the Gold Bauhinia Star in 2019. He is elected as Deputy of the Hong Kong Special Administrative Region to the 11th, 12th and 13th National People's Congress of the People's Republic of China. Mr. LIAO previously served as Chairman of the Anti-Money Laundering and Counter Terrorist Financing Review Tribunal and Chairman of The Hong Kong Council for Accreditation of Academic and Vocational Qualifications. He graduated from University College London with a Bachelor of Economic Science (Hons) Degree in 1982 and a Master of Laws Degree in 1985.

CHUI Sai Peng Jose
Independent Director

Independent Director of the Bank since September 2020. Mr. CHUI is currently the President of CAA City Planning & Engineering Consultants Ltd. of Macao, and Da Chang (Zhuhai) Concrete Pile Co., Ltd. He is also the Deputy of the Macao SAR to the 14th National People's Congress, Deputy of Legislative Assembly of the Macao SAR, and member of the Economic Development Committee of the Macao SAR. In addition, he serves as a member of the National Committee of China Association for Science and Technology, Vice-President of Board of Directors of Macao Chamber of Commerce, Vice-President of General Assembly of the Macao Association of Building Contractors and Developers. Mr. CHUI served as the President of Hou Kong Junior Chamber in 1994 and President of Junior Chamber International Macao, China in 1999. He was the President of Committee for Building Appraisal of the Macao SAR from 2002 to 2015. He served as member and Vice-President of the Committee of Cultural Industries of the Macao SAR from 2010 to 2016. Currently he serves as Independent Director of Luso International Banking Ltd. Mr. CHUI is a registered Urban Planner and Civil Engineer of Macao. He is also a registered Civil Engineer and Structural Engineer (Senior Engineer Level) of California, USA. Mr. CHUI received his Bachelor's Degree in Civil Engineering from University of Washington in 1981, and received his Master's Degree in Civil Engineering from University of California, Berkeley in 1983. He graduated from Tsinghua University in 2002 with a Doctor's Degree in Urban Planning.

Jean-Louis EKRA
Independent Director

Independent Director of the Bank since May 2022. Mr. EKRA currently sits on the Board of several institutions including Africa Economic Research Consortium (AERC), the Fund for Export Development in Africa (FEDA). He is the founder of Ayipling Morrison Capital, a venture capital and financial advisory firm. He was until September 2015 President and Chairman of the Board of the African Export-Import Bank (Afreximbank) in Cairo, Egypt. He assumed this role in January 2005 after holding successively the positions of Executive Vice-President and Senior Executive Vice-President of Afreximbank. Under his leadership, Afreximbank was assigned an investment grade credit rating by 3 major international rating agencies (Fitch, Moody's and S&P) and won many awards and Prizes for excellence given by various reputable organisations. Before joining Afreximbank in 1996, he held senior positions in different institutions including: Vice-President in charge of International Financial Institutions at Citibank NA Abidjan; Managing Director of Société Ivoirienne de la Poste et de l'Epargne (SIPE); Country Manager for the West African Economic & Monetary Union (UEMOA) and Partner at DKS Investment, a financial advisory firm in Jersey. He was for 4 years elected Honorary President of the Global Network of Exim Banks and Development Finance Institutions (G-NEXID). In 2011, Mr. EKRA was listed among the 100 most influential people of Africa by "New African". In 2013, he received the "Lifetime Achievement Award" from "African Bankers". In 2016, he was awarded the honour of Commandeur de l'Ordre National of Côte d'Ivoire. He holds a Master of Business Administration from Stern School of Business at New York University (NYU) and a Master of Economics from University of Abidjan, Côte d'Ivoire.

E Weinan
Independent Director

Independent Director of the Bank since July 2022. Mr. E is an Academician of Chinese Academy of Sciences, Professor of School of Mathematical Sciences at Peking University, director of Center for Machine Learning Research at Peking University, and joint director of the National Engineering Laboratory of Big Data Analysis and Applied Technology of Peking University. He is also Director of Beijing Institute of Big Data Research, and Dean of School of Data Science, University of Science and Technology of China. He once served as a faculty member of Institute for Advanced Study, Princeton University of the United States from 1991 to 1994, Associate Professor and Professor of Courant Institute of Mathematical Sciences, New York University from 1994 to 1999, Professor of School of Mathematical Sciences, Peking University, and Chair Professor of the Cheung Kong Scholars Program from 2000 to 2019, Professor of Department of Mathematics and PACM of Princeton University of the United States from 1999 to 2022. He has concurrently served as Chief Scientist of Beijing Zhijian Moqi Technology Co., Ltd. since 2016, and Director and Chief Scientific Advisor of Beijing Shenshi Technology Co., Ltd. since 2018. He obtained his bachelor's degree from University of Science and Technology of China in 1982, master's degree from Computing Center of Chinese Academy of Sciences in 1985, doctor's degree from University of California, Los Angeles in 1989, and postdoctoral degree from Courant Institute of Mathematical Sciences, New York University in 1991.

Giovanni TRIA
Independent Director

Independent Director of the Bank since July 2022. Mr. TRIA is an economist with more than 40 years of academic and professional experience in the fields of macroeconomics, price policies, economic development policies, business cycle and growth, public investment assessment and project evaluation, role of the institutions on the process of growth, economics of crime and economics of corruption, service sector and public sector economics. He received his degree in Law from University in Rome "La Sapienza" in 1971, then became associate professor and full professor of Political Economy at Faculty of Economics, the University of Rome Tor Vergata, where he served as Dean of the Faculty from 2016 to May 2018 until he was appointed Minister of Economic and Finance of Italy in the Conte I Cabinet and member of the IMF Board of Governors from June 2018 to September 2019. He was adviser of the Italian Ministry of Economic Development in the Draghi Cabinet from March 2021 to October 2022. Currently he is honorary professor at University of Rome Tor Vergata and since January 2022 he is President of the Foundation Enea Tech Biomedical. His past professional and academic positions include expert at the Department of Treasury and member of the "Evaluation Team of Public Investments" at the Ministry of Budget of Italy from 1987 to 1990, visiting scholar at the Department of Economics at Columbia University in 1986, consultant at the World Bank from 1998 to 2000, consultant at the Ministry of Foreign Affairs (Directorate General for Development Cooperation) from 1999 to 2002, Delegate for the Italian Government at the Governing Body of International Labour Organisation from 2002 to 2006 and from 2009 to 2012, Vice Chair of Committee for Information, Computer and Communication Policy (ICCP) and Member of the Innovation Strategy Expert Advisory Group at OECD from 2009 to 2011. He served as Director of Center for Economic and international Studies at University of Rome Tor Vergata from 2000 to 2009 and as President of Italian National School of Administration from 2010 to 2016.

LIU Xiaolei
Independent Director

Independent Director of the Bank since March 2024. Ms. LIU currently serves as Professor of Finance and Accounting, as well as the Deputy Director of the Faculty of Economics & Management and Chair of the Finance Department at Guanghua School of Management, Peking University. Ms. LIU has held several positions at Peking University, including Deputy Director of the Faculty of Economics & Management since May 2022, Peking University Boya Distinguished Professor since 2018, Chair of the Finance Department at Guanghua School of Management since November 2015, and Professor of Finance and Accounting at Guanghua School of Management since December 2014. Before joining Peking University, Ms. LIU served as an Assistant Professor and later a tenured Associate Professor at Hong Kong University of Science and Technology between December 2005 and December 2014. Since June 2021, Ms. LIU has been an independent director of First Capital Securities Co., Ltd. Between April 2020 and February 2024, she served as an independent director of FIL Fund Management (China) Company Limited. Between March 2019 and December 2021, she served as an independent director of Chasing Securities Co., Ltd. She also served as an independent director of Tianjin Youfa Steel Pipe Group Co., Ltd. from February 2018 to January 2022 and acted as the convener of the Audit Committee of the Board of Directors. In 1995, Ms. LIU obtained a BA in Economics from Nankai University, followed by an MA in Economics from the University of International Business and Economics in 1998. In 2006, she completed her Ph.D. at the University of Rochester in the USA. Ms. LIU's research interests include corporate finance, accounting, risk management, and financial markets. She was included in the 2022 "Highly Cited Chinese Researchers" list published by Elsevier, and her work has received numerous national and international awards.

Supervisors

WEI Hanguang
Employee Supervisor

Employee Supervisor of the Bank since November 2021. Ms. WEI currently serves as General Manager of the Human Resources Department of the Head Office of the Bank, and concurrently serves as a director of BOC International Holdings Limited and Bank of China Group Investment Limited. Since joining the Bank in July 1994, she served as Deputy General Manager of the Human Resources Department of the Head Office, Executive Deputy Director of Office of the Leading Group for Comprehensively Deepening Reform and Deputy General Manager of the Human Resources Department of the Head Office of the Bank, and General Manager of the Human Resources Department and Executive Deputy Director of Office of the Leading Group for Comprehensively Deepening Reform of the Head Office of the Bank. She graduated from Tsinghua University and obtained a Master's Degree in Business Administration.

ZHOU Hehua
Employee Supervisor

Employee Supervisor of the Bank since November 2021. Mr. ZHOU currently serves as General Manager of the Credit Approval Department of the Head Office of the Bank. Since joining the Bank in August 1997, he has served as Assistant to the General Manager of Shanghai Branch, Deputy General Manager of Shanghai Branch, and Deputy General Manager of Fujian Branch and General Manager of Xiamen Branch of the Bank. He graduated from China Europe International Business School and obtained a Master's Degree in Business Administration.

JIA Xiangsen
External Supervisor

External Supervisor of the Bank since May 2019. Mr. JIA previously worked in the People's Bank of China ("PBOC") and Agricultural Bank of China ("ABC"). From December 1983 to April 2008, Mr. JIA served as Deputy Director of the PBOC Fengtai District Office, and held such positions at ABC as Deputy Head of Beijing Fengtai Sub-branch, Deputy Division Chief at Beijing Branch, Head of Beijing Dongcheng Sub-branch, Deputy General Manager of Beijing Branch, General Manager of the Corporate Banking Department of the ABC Head Office, and General Manager of Guangdong Branch. From April 2008 to March 2010, Mr. JIA served as Principal of the Audit Office of ABC. From March 2010 to March 2014, he served as both the Chief Auditor and the Principal of the Audit Office of ABC. Mr. JIA received his Master's Degree in Monetary Banking from the Chinese Academy of Social Sciences. He holds the title of Senior Economist.

HUI Ping
External Supervisor

External Supervisor of the Bank since February 2022. Mr. HUI previously worked for the People's Bank of China ("PBOC") and the Industrial and Commercial Bank of China ("ICBC"). Mr. HUI joined Qingjian County sub-branch of PBOC Shaanxi Branch in December 1980 and Qingjian sub-branch of ICBC Shaanxi Branch in August 1986. From May 1994 to December 2010, he held various positions at ICBC Shaanxi Branch, including, among others, Secretary at Deputy Director level of the Office, Deputy Director of the Office and Director of the Office, Head of Shaanxi Xianyang Branch, Deputy General Manager of Shaanxi Branch, and General Manager of Shaanxi Branch of ICBC. From December 2010 to June 2015, Mr. HUI served as General Manager of the Internal Control and Compliance Department of the ICBC Head Office. From June 2015 to April 2019, he served as Deputy Secretary of Party Discipline Committee and Director of the Discipline Enforcement Department of the ICBC Head Office. From April 2019 to July 2020, Mr. HUI served as Deputy Head of the Discipline Inspection and Supervision Group dispatched to ICBC by the CPC Central Commission for Disciplinary Inspection and the State Committee of Supervisory. From September 2015 to September 2020, Mr. HUI concurrently served as an employee supervisor of ICBC. He graduated from Xiamen University with a Doctor's Degree in Finance. He holds the title of Senior Economist.

CHU Yiyun
External Supervisor

External Supervisor of the Bank since June 2022. Mr. CHU is currently a professor and doctoral supervisor in accounting at Shanghai University of Finance and Economics, a director of the ninth session of the Council of the Accounting Society of China, an accountant specialist recognised by the Ministry of Finance and a member of the second session of the Senior Accounting Professional and Technical Qualification Evaluation Committee of the National Government Offices Administration. Mr. CHU has been serving as the secretary, assistant professor, lecturer, associate professor, postgraduate supervisor, professor, and doctoral supervisor of the Accounting Faculty of Shanghai University of Finance and Economics since 1986. From 2003 to 2005, Mr. CHU served as an expert advisor on accounting standards of the Accounting Standards Committee of the Ministry of Finance. From 2006 to 2010, Mr. CHU served as a council member of the sixth session of the Council of the Finance and Cost Subsociety of the Accounting Society of China. From 2010 to 2016, Mr. CHU served as an independent director of Ping An Bank Co., Ltd. From 2015 to 2021, Mr. CHU served as an independent director of Tellhow Sci-Tech Co., Ltd. From 2016 to 2018, Mr. CHU served as a member of the First Consulting Committee of Corporate Accounting Standards of the Ministry of Finance. From 2016 to 2022, Mr. CHU served as an independent director of Bank of Jiaxing Co., Ltd. From 2017 to 2020, Mr. CHU served as an external supervisor of Ping An Bank Co., Ltd. From 2017 to 2023, Mr. CHU served as an independent director of Huan Xu Electronics Co., Ltd. Mr. CHU has also served as the Executive Secretary-General of the Accounting Education Branch of the Accounting Society of China (formerly known as the Chinese Accounting Professors Association). He currently serves as an independent director of Ping An Insurance (Group) Company of China, Ltd., and an independent director of Bank of Hebei Co., Ltd. Mr. CHU graduated from Shanghai University of Finance and Economics with a Doctor's Degree in Management (Accounting) in 1999.

Senior Management Members

LIU JIN
Vice Chairman and President

Please refer to the section “Directors”

LIN Jingzhen
Executive Director and Executive Vice President

Please refer to the section “Directors”

ZHANG Yi
Executive Vice President

Executive Vice President of the Bank since March 2023. Mr. ZHANG joined the Bank in 2023. Mr. ZHANG served as Executive Vice President of Agricultural Bank of China from November 2021 to March 2023, and as Chief Financial Officer of China Construction Bank (CCB) from April 2021 to September 2021. Prior to that, Mr. ZHANG previously served as Deputy General Manager of the Asset and Liability Management Department of the Head Office of CCB, Deputy General Manager and General Manager of Jiangsu Branch of CCB, and General Manager of the Finance and Accounting Department of the Head Office of CCB. Mr. ZHANG graduated from Southwestern University of Finance and Economics in 1993 and obtained a Master’s Degree in Business Administration from Renmin University of China in 2002. He holds the title of Senior Accountant.

ZHANG Xiaodong
Executive Vice President

Executive Vice President of the Bank since March 2023. Mr. ZHANG joined the Bank in 2022. Prior to that, Mr. ZHANG had worked in Industrial and Commercial Bank of China (“ICBC”) for many years. He served as General Manager of the Human Resources Department of the Head Office of ICBC from April 2021 to December 2022, General Manager of the Executive Office of the Head Office of ICBC from April 2020 to April 2021, and General Manager of the Private Banking Department of the Head Office of ICBC from March 2018 to April 2020. He also successively served as Deputy General Manager of the Investment Banking Department of the Head Office of ICBC and Deputy General Manager of Shanghai Branch of ICBC. He has served as President of Shanghai RMB Trading Unit of the Bank since May 2023. Mr. ZHANG graduated from Nankai University in 2000, and then obtained his doctoral degree in Management from Beijing Jiaotong University.

CAI Zhao
Executive Vice President

Executive Vice President of the Bank since September 2023. Mr. CAI joined the Bank in 2023. Prior to that, Mr. CAI worked in Agricultural Bank of China (ABC) for many years, serving as Chief Information Officer of ABC from June 2023 to July 2023. Mr. CAI also served as General Manager of Technology and Product Management Bureau of the Head Office of ABC from December 2019 to July 2023, General Manager of the Research & Development Centre of the Head Office of ABC from October 2018 to March 2020, and General Manager of the Software Research and Development Centre of the Head Office of ABC from September 2015 to October 2018. Prior to that, he served as Deputy General Manager of the Software Research and Development Centre of the Head Office of ABC. Mr. CAI graduated from Shaanxi Institute of Finance and Economics in 1995 and obtained a Master's Degree of Engineering from Sichuan University in 2003. He holds the title of Senior Engineer.

LIU Jiandong
Chief Risk Officer

Chief Risk Officer since February 2019. Mr. LIU joined the Bank in 1991. From March 2014 to February 2019, he served as General Manager of the Credit Management Department of the Bank. Mr. LIU served as General Manager (Investment Banking) of the Corporate Banking Unit of the Bank from February 2011 to March 2014, having also previously served as Deputy General Manager of the Corporate Banking Department and Corporate Banking Unit of the Bank. He graduated from Renmin University of China in 1991 and obtained a Master's Degree in Economics from Renmin University of China in 2000.

ZHAO Rong
Chief Business and Management Officer

Chief Business and Management Officer of the Bank since December 2022. Ms. ZHAO joined the Bank in 1998. She has served as General Manager of Shanghai Branch of the Bank from November 2015 to October 2020, and Executive Vice President of the Shanghai RMB Trading Unit from July 2014 to May 2021. Ms. ZHAO served as General Manager of the Executive Office and Spokesman of the Bank from October 2009 to March 2014. Prior to that, she served successively as Deputy General Manager of the Executive Office, Director of the Personal Banking Department and Deputy General Manager (Wealth Management) of the Personal Banking Unit. Ms. ZHAO graduated from the Graduate School of the People's Bank of China in 1998, obtaining a Doctor's Degree in Economics.

ZHUO Chengwen
Chief Audit Officer

Secretary to the Board of Directors and the Company Secretary of the Bank since March 2024. Mr. ZHUO joined the Bank in 1995. He served as Chief Audit Officer of the Bank from May 2021 to March 2024. Mr. ZHUO served as Chief Risk Officer of BOC Hong Kong (Holdings) Limited from November 2019 to February 2021. He served as Chief Executive and Executive Director of Bank of China Group Insurance Company Limited from June 2016 to November 2019, and as General Manager of the Financial Management Department of the Bank from December 2014 to June 2016. Prior to that, Mr. ZHUO served as Deputy General Manager of New York Branch, Deputy General Manager of the Financial Management Department of the Bank, and Chief Financial Officer of BOC Hong Kong (Holdings) Limited. He concurrently served as the General Manager of the Audit Department of the Bank from January 2022 to March 2024. Mr. ZHUO graduated from Peking University with a Master's Degree in Economics in 1995, and obtained a Master's Degree in Business Administration from the City University of New York in 2005. He holds certified public accountant qualifications in places such as the Chinese mainland and Hong Kong (China).

MENG Qian
Chief Information Officer

Chief Information Officer of the Bank since May 2022. Ms. MENG joined the Bank in 1987. She served as General Manager of the Information Technology Department of the Bank from November 2019 to May 2022, and has concurrently served as General Manager of the Enterprise Architecture Office since September 2020. From December 2014 to November 2019, Ms. MENG served as General Manager of the Software Centre of the Bank. From March 2014 to December 2014, she served as General Manager of the Data Centre of the Bank. She served as General Manager of the Information Centre of the Bank from September 2009 to March 2014, and also concurrently served as General Manager of the Test Centre of the Bank from July 2013 to March 2014. Ms. MENG previously served as Director (Technology Management) of the Information Centre of the Bank, and Deputy General Manager (Person-in-Charge) of the Information Centre of the Bank. She graduated from Beijing Computer Science College with a Bachelor's Degree in Engineering in 1987. She holds the title of Senior Engineer.

Changes in Directors, Supervisors and Senior Management Members

Changes in the Bank's directors were as follows:

Mr. WANG Wei ceased to serve as Executive Director and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 21 March 2023, due to reason of age.

Mr. CHEN Jianbo ceased to serve as Non-executive Director, member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee and member of the Risk Policy Committee of the Board of Directors of the Bank as of 17 April 2023, due to reason of age.

Mr. GE Haijiao began to serve as Chairman, Executive Director, and Chair and member of the Strategic Development Committee of the Board of Directors of the Bank as of 25 April 2023.

Mr. ZHANG Yong began to serve as Non-executive Director, member of the Strategic Development Committee, member of the Audit Committee and member of the Risk Policy Committee of the Board of Directors of the Bank as of 9 June 2023, and Chair of the Risk Policy Committee of the Board of Directors of the Bank as of 7 August 2023.

Mr. HUANG Binghua ceased to serve as member of the Audit Committee of the Board of Directors of the Bank as of 9 June 2023.

Ms. XIAO Lihong ceased to serve as Non-executive Director, Chair and member of the Risk Policy Committee and member of the Strategic Development Committee of the Board of Directors of the Bank as of 30 June 2023, due to expiration of the term of office.

Ms. WANG Xiaoya ceased to serve as Non-executive Director, member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 30 June 2023, due to expiration of the term of office.

Mr. LIU Hui began to serve as Non-executive Director, member of the Strategic Development Committee and member of the Risk Policy Committee of the Board of Directors of the Bank as of 24 August 2023.

Mr. SHI Yongyan began to serve as Non-executive Director, member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee and member of the Personnel and Remuneration Committee of the Board of Directors of the Bank as of 25 September 2023.

Mr. LIN Jingzhen began to serve as member of the Corporate Culture and Consumer Protection Committee of the Board of Directors of the Bank as of 26 February 2024.

Mr. JIANG Guohua ceased to serve as Independent Director, Chair and member of the Audit Committee, member of the Strategic Development Committee, member of the Corporate Culture and Consumer Protection Committee, member of the Personnel and Remuneration Committee and member of the Connected Transactions Control Committee of the Board of Directors of the Bank due to work arrangements as of 26 February 2024.

Ms. LIU Xiaolei began to serve as Independent Director, Chair and member of the Audit Committee, member of the Strategic Development Committee, member of the Risk Policy Committee, member of the Personnel and Remuneration Committee and member of the Connected Transactions Control Committee of the Board of Directors of the Bank as of 26 March 2024.

The Shareholders' Meeting of the Bank reviewed and approved a proposal regarding the election of Mr. ZHANG Yi as Executive Director of the Bank. Such appointment is subject to approval by relevant authorities.

The Shareholders' Meeting of the Bank reviewed and approved a proposal regarding the election of Ms. LOU Xiaohui as Non-executive Director of the Bank. Such appointment is subject to approval by relevant authorities.

Changes in the Bank's supervisors were as follows:

Mr. LENG Jie ceased to serve as Employee Supervisor and member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 31 January 2023 due to reason of age.

Ms. ZHANG Keqiu ceased to serve as Chairwoman of the Board of Supervisors, Shareholder Supervisor and Chair of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 5 February 2024 due to reason of age.

Mr. JIA Xiangsen began to serve as member of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank as of 11 March 2024.

Changes in the Bank's senior management members were as follows:

Mr. WANG Zhiheng ceased to serve as Executive Vice President of the Bank as of 13 January 2023, due to a change of job.

Mr. CHEN Huaiyu ceased to serve as Executive Vice President of the Bank as of 3 February 2023, due to a change of job.

Mr. ZHANG Xiaodong began to serve as Executive Vice President of the Bank as of 2 March 2023.

Mr. WANG Wei ceased to serve as Executive Vice President of the Bank as of 21 March 2023, due to reason of age.

Mr. ZHANG Yi began to serve as Executive Vice President of the Bank as of 28 March 2023.

Mr. CAI Zhao began to serve as Executive Vice President of the Bank as of 25 September 2023.

Mr. ZHUO Chengwen began to serve as Secretary to the Board of Directors and Company Secretary of the Bank, and ceased to serve as Chief Audit Officer of the Bank as of 25 March 2024.

The Board of Directors of the Bank reviewed and approved the proposal on appointing Mr. LIU Jinn as Executive Vice President of the Bank. Such appointment is subject to the approval of relevant authorities.

Corporate Governance

Overview of Corporate Governance

The Bank takes excellent corporate governance as an important objective. It consistently improves the modern financial enterprise system with Chinese characteristics and integrates the Party's leadership with its corporate governance improvement efforts. Adhering to the rules and regulations governing capital markets and relevant industries, the Bank constantly strives to improve its corporate governance framework, which mainly comprises the shareholders' meeting, the Board of Directors, the Board of Supervisors and the Senior Management. This framework operates smoothly owing to a clear division of duties. All special committees of the Board of Directors and the Board of Supervisors performed their duties and functioned effectively, thereby enhancing the Bank's modern corporate governance capabilities.

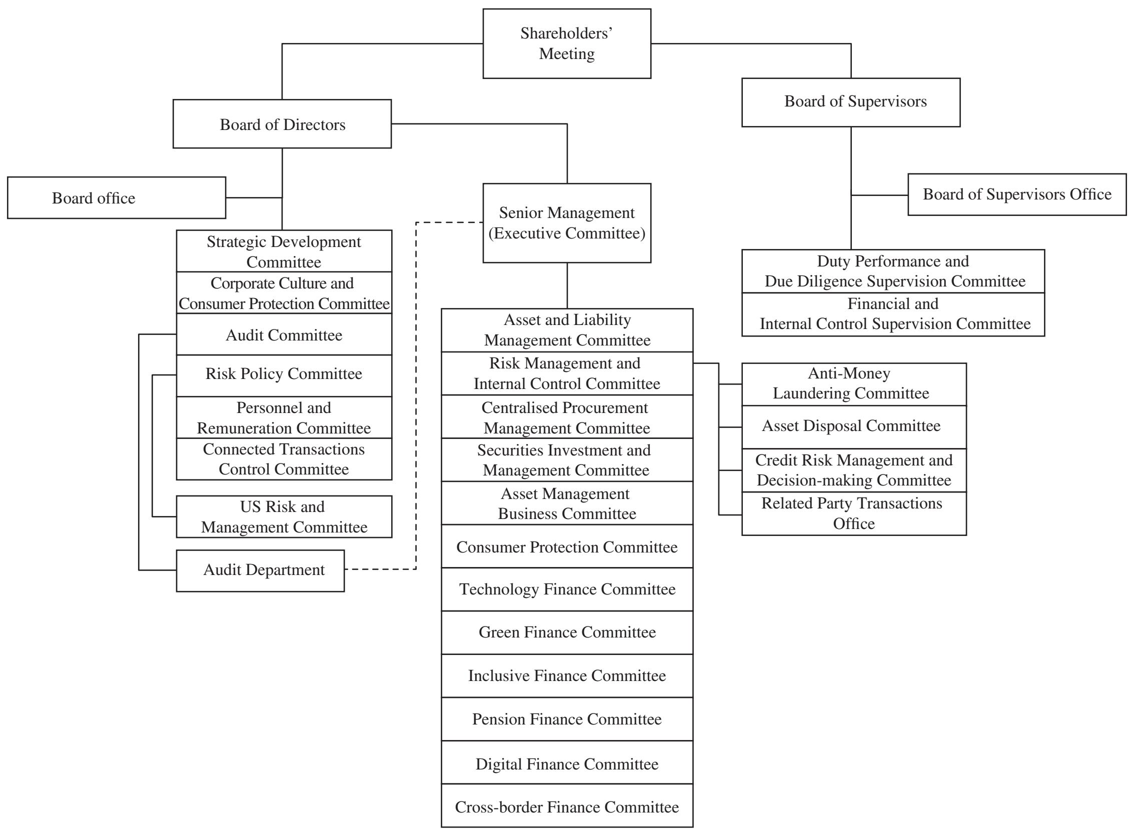
The Bank continuously works to improve its corporate governance structure, policies and procedures. It persistently followed up and implemented regulatory requirements regarding capital markets, always choosing to adhere to the strictest available standards. It re-examined and self-inspected its corporate governance policies, and comprehensively and systematically reviewed the Articles of Association, the rules of procedure of the shareholders' meeting, the rules of procedure of the Board of Directors and each special committee, the working rules of the Secretary of the Board of Directors and the rules of independent directors.

The Bank places great emphasis on improving its corporate governance operation mechanisms. It ensures that minority shareholders are properly informed and able to participate and make decisions. The shareholders' meeting is held on-site, and online voting for A-Share Holders is available to safeguard the rights and interests of the minority shareholders. The Bank focuses on constantly enhancing coordination with respect to the operation mechanisms of the Board of Directors, information disclosure and stakeholder engagement. It continues to support the Board of Directors to function more constructively and make scientific and efficient decisions. The Bank strives to heighten transparency and proactively performs its duties to all relevant stakeholders, including shareholders, customers, staff and society.

The Bank makes great effort to promote Board diversity. It has formulated the *Bank of China Limited Board Diversity Policy*, which lays out the stance of the Bank on the diversity of the members of the Board of Directors and the approaches it adopts to realise such diversity on an ongoing basis. The Board of Directors has successfully realised diversity in all respects at this stage, including gender diversity. All appointments are made based on merit, taking into account the skills and experience the Board of Directors as a whole requires, and taking into full consideration various objectives and requirements for diversity, including but not limited to regulatory requirements, gender, age, cultural and educational background, geographical location, professional experience, skills, knowledge, and length of service of directors, etc. The Bank has always applied the aforementioned diversity policy and requirements to the director selection and engagement process.

In 2023, the Bank's corporate governance performance continued to be recognised by the capital markets and the public. The Bank won the Award of "Best Practice Case for Board of Directors of Listed Companies" organised by the China Association for Public Companies.

Corporate Governance Framework



Corporate Governance Compliance

During the reporting period, the actual performance of the Bank's corporate governance was fully in compliance with laws, administrative regulations, and the requirements for the governance of listed companies of the CSRC.

During the reporting period, the Bank strictly observed the *Corporate Governance Code* (the "Code") as set out in Appendix C1 to the Hong Kong Listing Rules, complied with all the applicable provisions of the Code and has substantially complied with most of the recommended best practices set out in the Code.

Amendments to the Articles of Association

During the reporting period, the Bank further improved its corporate governance mechanisms and the amendments of its Articles of Association was approved by the relevant regulatory authority. This was the first comprehensive review and revision of the Articles of Association of the Bank since its listing in 2006, focusing mainly on integrating the Party's leadership more closely into corporate governance and fully reflecting the latest corporate governance requirements of various laws, regulations and regulatory rules. Based on the revised Articles of Association, the Bank will continue to improve its corporate governance system and enhance the quality and effectiveness of its corporate governance performance.

Shareholders and Shareholders' Rights

The Bank highly values the protection of its shareholders' interests and has established and maintained an effective and multi-channel shareholder communication platform. This includes holding shareholders' meetings and maintaining an investor hotline to ensure that all shareholders are treated equally, properly informed and able to participate in and exercise their voting and other rights regarding the major issues of the Bank. The Bank is independent and completely autonomous in all of its business operations. It operates independently and separately from its controlling shareholder, Huijin, in respect of its business, personnel, asset, institutional and financial matters.

Shareholders' Right to Convene an Extraordinary Shareholders' Meeting and a Classified Shareholders' Meeting

According to the Articles of Association, shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank have the right to request the Board of Directors to convene an extraordinary general meeting. The requests shall be made in writing. The Board of Directors shall give written response on whether such request is consented to within ten days from the date of receipt of such request in accordance with laws, administrative regulations and the Articles of Association.

If the Board of Directors agrees to convene an extraordinary general meeting, it shall give notice on convening the extraordinary general meeting within five days from making the board resolutions. For any change to the original proposals stated in the notice, it shall obtain relevant shareholders' consent.

If the Board of Directors does not agree to convene an extraordinary general meeting, or fails to give feedback within ten days from the date of receipt of such request, a shareholder or shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank shall have the right to request the Board of Supervisors to convene an extraordinary general meeting in writing.

If the Board of Supervisors agrees to convene an extraordinary general meeting, it shall give a notice on convening the extraordinary general meeting within five days from the date of receipt of the request. For any change to the original proposals stated in the notice, it shall obtain the relevant shareholders' consent.

If the Board of Supervisors fails to issue notice of a shareholders' meeting within the prescribed period, it shall be deemed that the Board of Supervisors refuses to convene and preside over the shareholders' meeting. A shareholder or shareholders individually or jointly holding more than 10% of the total voting shares of the Bank for over 90 consecutive days may voluntarily convene and preside over such meeting.

Two or more shareholders jointly holding more than 10% of the total voting shares of the Bank may sign one or more written requests of identical form and content requesting the Board of Directors to convene a classified shareholders' meeting. The aforesaid shares shall be calculated as of the date on which the written request is made by the shareholder(s).

When shareholders decide to convene a shareholders' meeting on its/their own initiative, it/they shall notify the Board of Directors in writing and at the same time notify the stock exchanges. The notice shall comply with the relevant provisions of the Articles of Association, and the venue of the meeting shall be the Bank's domicile.

The shares held by the convening shareholders shall not fall less than 10% before the poll result announcement of the shareholders' meeting is published.

The convening shareholders shall, upon issuing notice of the shareholders' meeting and the poll result announcement of the shareholders' meeting, submit relevant certificate documentations to the stock exchanges.

The expenses necessary for the shareholders' meeting convened by the Board of Supervisors or shareholders on its/their own initiative shall be borne by the Bank.

Shareholders' Right to Propose Resolutions at Shareholders' Meetings

According to the Articles of Association, any shareholder who holds, individually or in aggregate, 3% or more voting shares of the Bank shall have the right to propose and submit in writing to the Board of Directors interim proposals 10 days prior to the convening of a shareholders' meeting. When the Board of Directors decides not to include such proposals on the meeting agenda, it shall explain and clarify the reasons at the shareholders' meeting. When the proposing shareholders dissent with the Board of Directors' decision to exclude such proposals, they may request to call for an extraordinary shareholders' meeting by themselves based on the procedures stipulated in the Articles of Association.

Shareholders' Right to Present Enquiries

According to the Articles of Association, any shareholder who holds severally or jointly with others 5% or more voting shares of the Bank shall have the right to present enquiries to the shareholders' meeting. The Board of Directors, the Board of Supervisors, or other relevant senior management members shall attend the shareholders' meeting, accept enquiries, and answer or explain accordingly.

Please refer to the Articles of Association for details of the rights pertaining to shareholders. If shareholders need to contact the Board of Directors regarding the aforementioned items or for other enquiries to the Board of Directors, please refer to the section "Reference for Shareholders – Investor Enquiry" for contact details.

Shareholders' Meeting

Functions and Powers of the Shareholders' Meeting

The shareholders' meeting is the body of authority of the Bank. The shareholders' meeting is responsible for making decisions on the important issues of the Bank, including considering and approving the Bank's profit distribution plan, annual financial budget and financial statements, changes in the Bank's registered capital, adopting resolutions on matters such as the issuance of bonds and other securities, merger and division, amending the Articles of Association of the Bank, electing directors, electing shareholders' representative supervisors and external supervisors and deciding the remunerations of directors and supervisors.

Convening of Shareholders' Meetings during the Reporting Period

On 21 April 2023, the Bank held its 2023 First Extraordinary General Meeting on-site in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved three proposals, including the election of Mr. GE Haijiao to be appointed as Executive Director of the Bank, the fixed asset investment budget for 2023 and the 2022 remuneration distribution plan for External Supervisors. All the proposals were ordinary resolutions.

On 30 June 2023, the Bank held its 2022 Annual General Meeting on-site in Beijing and Hong Kong SAR. A-Share Holders could also cast votes online. This meeting considered and approved nine proposals, including the 2022 work report of the Board of Directors, the 2022 work report of the Board of Supervisors, the 2022 annual financial report, the 2022 profit distribution plan, the appointment of the Bank's external auditor for 2023, the election of Mr. SHI Yongyan as Non-executive Director of the Bank, the election of Mr. LIU Hui as Non-executive Director of the Bank, the bond issuance plan and the issuance of capital instruments, among others. The meeting also heard the report on the connected transactions for 2022, the duty report of Independent Directors for 2022, and the report on the implementation of the *Scheme on the Authorisation to the Board of Directors Granted by the Shareholders' Meeting of Bank of China Limited* for 2022. The proposals regarding the bond issuance plan and the issuance of capital instruments were special resolutions, while the rest of the proposals were ordinary resolutions.

On 19 December 2023, the Bank held its 2023 Second Extraordinary General Meeting on-site in Beijing. A-Share Holders could also cast votes online. The meeting considered and approved three proposals, including the 2022 remuneration distribution plan for Executive Directors, the application for special outbound donation limit and the 2022 remuneration distribution plan for the Chairwoman of the Board of Supervisors, among others. All the proposals were ordinary resolutions.

The aforementioned meetings were convened and held in strict compliance with the relevant laws and regulations as well as the listing rules of the SSE and the Hong Kong Stock Exchange. The Bank's directors, supervisors and senior management members attended the meetings and communicated with shareholders on issues of their concern.

The Bank issued announcements on the resolutions and legal opinions of the aforementioned shareholders' meeting on 21 April 2023, 30 June 2023 and 19 December 2023 respectively, pursuant to regulatory requirements. Please refer to the websites of the SSE, the HKEX and the Bank.

Implementation of the Resolutions Passed at the Shareholders' Meeting by the Board of Directors

During the reporting period, the Board of Directors fully implemented the resolutions passed at the shareholders' meetings and the scheme on the authorisation to the Board of Directors granted by the shareholders' meeting, and earnestly carried out proposals regarding the 2022 profit distribution plan, the 2023 annual budget for fixed assets investment, the bond issuance plan, the appointments of directors and the external auditor for 2023, and so on.

Board of Directors

Functions and Powers of the Board of Directors

The Board of Directors, which is responsible to the shareholders' meeting, is the Bank's decision-making body. The Board of Directors exercises the following functions and powers as specified by the Bank's Articles of Association: convening shareholders' meetings, reporting to shareholder's meetings and implementing the resolutions of shareholders' meetings; formulating the Bank's development strategies and supervising their implementation; formulating the Bank's annual financial budgets and final financial accounts; formulating the Bank's plans for profit distribution, loss recovery and risk assets distribution; formulating plans for increasing or decreasing registered capital, issuing and listing other securities, and issuing bonds of the Bank; formulating plans for major acquisitions, the acquisition of the Bank's shares, and the combination, splitting, dissolution or change of the corporate form of the Bank; reviewing and approving the Bank's external investment, asset acquisition, asset disposal and write-off, asset mortgage, connected transactions, outward donations and data governance, etc., in accordance with laws and policies, regulatory provisions, and the Bank's Articles of Association and authorisation plans; reviewing and approving the Bank's basic management policies, internal management framework and the establishment of important branches and subsidiaries; appointing or dismissing senior management members of the Bank; researching and appointing Chairs and members of the special committees of the Board of Directors; reviewing and approving the corporate governance policies of the Bank; reviewing and approving the Bank's legal and compliance policies and relevant basic management rules; formulating revision plans for the Articles of Association of the Bank, developing the procedural rules for the shareholders' meeting and the Board of Directors, and reviewing and approving the work rules of the special committees of the Board of Directors; deciding on human resources, remuneration strategies and remuneration policies for senior management members of the Bank, carrying out performance evaluation for senior management members, and deciding on matters of material incentive and constraint for senior management members; reviewing and approving the information disclosure policies of the Bank; leading the Bank's information disclosure efforts and assuming ultimate responsibility for the authenticity, accuracy, integrity and timeliness of the accounting and financial reports of the Bank; proposing the appointment or dismissal of accounting firms for the regular statutory audit of financial reports of the Bank to the shareholders' meeting; hearing work reports from the Bank's President and other senior management members, and supervising them in fulfilling their management responsibilities; hearing reports on regulatory opinions on the Bank and progress in rectification by the Bank; hearing regular and non-periodical reports from external auditors; reviewing and approving the Bank's annual report; formulating the capital planning of the Bank and assuming ultimate responsibility for capital management; formulating the Bank's policies for risk tolerance, risk management and internal control and assuming ultimate responsibility for comprehensive risk management; regularly assessing and improving the corporate governance of the Bank; protecting legitimate rights of financial consumers and other stakeholders; establishing mechanisms for identifying, reviewing, and managing conflicts of interests between the Bank and shareholders, especially substantial shareholders; taking responsibility for the management of shareholder affairs; and other functions as stipulated by laws, regulations and the Bank's Articles of Association, and as granted by the shareholders' meeting.

The Bank has established relevant mechanisms to ensure that the Board of Directors has access to independent opinions and comments. According to the Articles of Association of the Bank, special committees of the Board of Directors may engage intermediaries to issue professional opinions in the course of performing their duties. Independent directors may also exercise their special functions and powers as specified in the Articles of Association and engage external auditors and consultants such as law firms and accounting firms to provide assistance at the expense of the Bank. Upon review, such mechanisms were effectively implemented during the year, and the professional opinions issued by relevant specialised institutions were fully utilised by the special committees of the Board of Directors and independent directors in the performance of their duties.

Composition of the Board of Directors

The Board of Directors has set up the Strategic Development Committee, Corporate Culture and Consumer Protection Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee, as well as the US Risk and Management Committee established under the Risk Policy Committee, to assist the Board of Directors in performing its functions under the authorisation of the Board of Directors.

The Board of Directors of the Bank is rationally structured and diversified. Currently, the Board of Directors comprises fourteen members. In addition to the Chairman, there are two executive directors, five non-executive directors and six independent directors. The proportion of independent directors reaches one-third of the total number of directors. The Bank's directors are elected at the shareholders' meeting, with a term of office of three years starting from the date when the Bank receives approval of the appointment from relevant regulatory authorities. A director may serve consecutive terms by re-election and re-appointment unless otherwise specified by laws, regulations, supervisory requirements and the Articles of Association of the Bank. The positions of Chairman and President of the Bank are assumed by two persons.

For detailed background and an explanation of recent changes to the Board membership, please refer to the section "Directors, Supervisors and Senior Management Members".

Convening of Board Meetings

In 2023, the Bank convened nine on-site meetings of the Board of Directors on 19 January, 9 March, 28 March, 4 April, 28 April, 30 August, 30 October, 28 November and 27 December respectively, and four meetings via written resolution on 21 April and 7 August, with 69 proposals reviewed and approved. The proposals covered matters such as the Bank's regular reports, the nomination of candidates for directorships, the adjustment of Chairs and members of special committees of the Board of Directors, the appointment of senior management members, the issuance of bonds and the profit distribution, etc. It also heard 18 reports related to the Bank's anti-money laundering work, strategic plan implementation and other matters.

Risk Management and Internal Control by the Board of Directors and its Special Committees

According to regulatory rules and internal management requirements, the Senior Management submits important risk management policies, rules and procedures to the Board of Directors and Risk Policy Committee for review and approval. The Risk Policy Committee regularly reviews the Group's overall risk status (covering major risk categories such as credit risk, market risk, operational risk, liquidity risk, legal and compliance risk and reputational risk) and upcoming work plan, and puts forward corresponding work requirements.

The Board of Directors and its Risk Policy Committee have acknowledged the comprehensive effectiveness of the existing risk management system of the Bank based on their close monitoring and evaluation of the system's effectiveness.

The Board of Directors attached great importance to the Group's long acting internal control system and continued to promote its development. It regularly heard and reviewed Senior Management reports concerning the implementation of the *Guidelines on Internal Control of Commercial Banks*, as well as bank-wide operational management, risk management, fraud case management and internal control system development and assessment of the Bank, thus earnestly assuming its responsibility to establish, optimise and effectively implement internal control systems.

The Audit Committee under the Board of Directors closely monitored the changing economic and financial environment at home and abroad, as well as the overall conditions of the Group's internal control function, including the establishment and operation of its internal control systems for both financial reporting and non-financial reporting. In addition, the committee heard and reviewed, on a regular and ad hoc basis, internal audit reports and assessment opinions on internal control, reports on the progress of internal control improvements and remediation suggested by external auditors, as well as the overall situation regarding the prevention, control and rectification of fraud cases and risk events.

During the reporting period, the Bank performed self-assessment on internal control in line with the *Basic Standard for Enterprise Internal Control* and its supporting guidelines. No material deficiencies were identified in the internal control systems for both the financial reporting and non-financial reporting of the Bank. PricewaterhouseCoopers Zhong Tian LLP, as the Bank's external auditor for internal control, audited the effectiveness of the Bank's internal controls over financial reporting and issued an unqualified opinion. The *2023 Internal Control Assessment Report of Bank of China Limited* and the *2023 Auditor's Report on Internal Control* issued by PricewaterhouseCoopers Zhong Tian LLP have been published on the websites of the SSE, the HKEX and the Bank.

Duty Performance of Directors

Directors' Attendance of Shareholders' Meetings, Meetings of the Board of Directors and Special Committees

During the reporting period, the attendance of each director at the shareholders' meetings, meetings of the Board of Directors and special committees is given below.

			Number of meetings attended in person/Number of meetings convened during term of office					
			Meetings of the Special Committees of the Board of Directors					
Directors	**Shareholders' Meetings**	**Meetings of the Board of Directors**	**Strategic Development Committee**	**Corporate Culture and Consumer Protection Committee**	**Audit Committee**	**Risk Policy Committee**	**Personnel and Remuneration Committee**	**Connected Transactions Control Committee**
Incumbent Directors								
GE Haijiao	2/2	7/8	3/4	–	–	–	–	–
LIU Jin	3/3	11/13	5/7	–	–	–	–	–
LIN Jingzhen	3/3	11/13	–	–	–	3/8	–	–
ZHANG Yong	2/2	7/7	3/3	–	3/3	4/4	–	–
ZHANG Jiangang	3/3	13/13	7/7	–	6/6	–	–	–
HUANG Binghua	3/3	13/13	–	4/4	3/3	8/8	7/7	–
LIU Hui	1/1	4/4	3/3	–	–	2/2	–	–
SHI Yongyan	1/1	3/3	2/2	1/1	–	–	–	–
Martin Cheung Kong LIAO	3/3	11/13	5/7	–	6/6	–	6/7	1/3
CHUI Sai Peng Jose	3/3	11/13	–	4/4	–	7/8	6/7	3/3
Jean-Louis EKRA	3/3	13/13	7/7	4/4	–	8/8	–	–
E Weinan	3/3	11/13	5/7	2/4	–	–	4/7	–
Giovanni TRIA	3/3	13/13	7/7	4/4	6/6	–	–	3/3
LIU Xiaolei	0/0	0/0	0/0	–	0/0	0/0	0/0	0/0
Former Directors								
WANG Wei	0/0	1/2	–	–	–	–	–	0/0
XIAO Lihong	2/2	6/6	4/4	–	–	5/5	–	–
WANG Xiaoya	2/2	6/6	4/4	2/2	–	–	5/5	–
CHEN Jianbo	0/0	4/4	3/3	1/1	–	3/3	–	–
JIANG Guohua	3/3	10/13	5/7	4/4	6/6	–	6/7	2/3

Notes:

1. Directors Mr. GE Haijiao, Mr. LIU Jin, Mr. LIN Jingzhen, Mr. Martin Cheung Kong LIAO, Mr. CHUI Sai Peng Jose, Mr. E Weinan and Mr. JIANG Guohua, who were unable to attend the Meetings of the Board of Directors in person, had appointed other Directors to attend and exercise their voting rights on their behalf.

2. In 2023, no director held any objection to the proposals considered during the meetings of the Board of Directors and its special committees.

Training and Expertise Enhancement of Directors

In 2023, the Board of Directors paid significant attention to enhancing directors' expertise, with a special focus on arranging relevant training. All directors of the Bank fully observed Rule C.1.4 of the Code as well as Chinese mainland regulatory requirements, actively participating in specialised training including sessions themed on green finance and anti-money laundering. The Bank's directors also took it upon themselves to enhance their professional skills in various ways, including writing and publishing professional articles, attending forums and seminars, meeting with domestic and overseas regulators, and conducting on-site research exercises at the Bank's domestic and overseas branches as well as at other advanced banks.

Independence and Duty Performance of Independent Directors

There are currently six independent directors on the Board of Directors. This reaches one-third of the total number of directors and is thus in compliance with the quorum requirement specified in the Articles of Association and relevant regulatory requirements. For the professional backgrounds and other details of the independent directors, please refer to the section "Directors, Supervisors and Senior Management Members". During the reporting period, independent directors individually served as Chairs of the Audit Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee. The Bank has received the annual confirmation in writing from each independent director with regard to their independence. Based on these confirmations and relevant information in possession of the Board of Directors, the Bank confirms their independent status.

In 2023, the Bank's independent directors attended meetings of the Board of Directors, reviewed proposals, participated in discussions and offered their professional opinions independently, objectively and diligently, in accordance with the Articles of Association, the *Procedural Rules for Board of Directors of Bank of China Limited* and the *Rules for Independent Directors of Bank of China Limited*. Please refer to the section "Directors' Attendance of the Shareholders' Meeting, Meetings of the Board of Directors and Special Committees" for the attendance of independent directors at meetings.

In 2023, independent directors put forward constructive recommendations on the Bank's capital management, risk control, green finance and fintech, among others. These recommendations were adopted and diligently implemented by the Bank.

Responsibility Statement of Directors on Financial Reports

The following statement, which sets out the responsibilities of the directors regarding financial statements, should be read in conjunction with, but understood separately from, the auditor's statement of their responsibilities as set out in the Independent Auditor's Report contained in this annual report.

The directors acknowledge that they are responsible for preparing financial statements of the Bank that truly represent the operating results of the Bank for each financial year. To the best knowledge of the directors, there was no material event or condition during the reporting period that might have a material adverse effect on the continuing operation of the Bank.

Special Committees of the Board of Directors

Strategic Development Committee

The Strategic Development Committee comprises eleven members, including Chairman Mr. GE Haijiao, Vice Chairman and President Mr. LIU Jin, Non-executive Directors Mr. ZHANG Yong, Mr. ZHANG Jiangang, Mr. LIU Hui and Mr. SHI Yongyan, and Independent Directors Mr. Martin Cheung Kong LIAO, Mr. Jean-Louis EKRA, Mr. E Weinan, Mr. Giovanni TRIA and Ms. LIU Xiaolei. Chairman Mr. GE Haijiao serves as Chair of the committee.

The main duties of the Strategic Development Committee are: to review and examine the Bank's strategic development plans submitted by the Senior Management and supervise the implementation of the strategic development plan; to review and examine strategy adjustment plans submitted by the Senior Management after evaluating factors possibly affecting the Bank's strategies and their implementation in accordance with international and domestic economic and financial circumstances and market trends; to review and examine the Bank's annual budget; to review and examine the capital plans of the Bank, and urge the Senior Management to make efforts in capital management; to review and examine the information technology strategic development plans of the Bank; to review and examine the green credit strategy, and supervise the Banks' implementation of the green credit strategy; to review and examine the business development strategic plan, basic management systems of the Bank's inclusive finance business; to review and examine the annual business plan, assessment methods and evaluation, etc. for the Bank's inclusive finance business; to review and examine the significant investment and financing plans of the Bank submitted by the Senior Management; to review and examine the merger and acquisition plans of the Bank submitted by the Senior Management; to review and examine substantial internal reorganisation and adjustment plans of the Bank; to review and examine strategic development plans, policies and systems, etc. in relation to strategic development needs, other regulatory requirements and operational needs, and to supervise the implementation thereof; and to submit advice and suggestions to the Board of Directors regarding the above matters.

In 2023, the Strategic Development Committee held seven on-site meetings on 19 January, 9 March, 28 March, 28 April, 30 August, 30 October and 28 November respectively. The committee mainly reviewed the proposals on the Business Plan and Financial Budget for 2023, the Fixed Asset Investment Budget for 2023, the Profit Distribution Plan for 2022, the 2023 Operation Plan of the Inclusive Finance Department, the 2022 Report on Green Finance Development, the Special Governance Plan for Affiliates, the Issuance of Capital Instruments, the Bond Issuance Plan, the Dividend Distribution Plan of Preference Shares, and the Application for Special Outbound Donation Limit for Targeted Support. It debriefed the Report on Development Plan Implementation for 2022, Report on IT Strategy Implementation, and Report on Risk Management, etc.

Moreover, in response to changes in the international and domestic economic and financial situation, the Strategic Development Committee also stepped up its analysis of the prevailing opportunities and challenges, putting forward many important comments and recommendations regarding the Bank's efforts to implement its Development Plan, accelerating business transformation and development, and improving the quality and efficiency of its service to the real economy, thus providing strong support to the scientific decision-making of the Board of Directors.

Corporate Culture and Consumer Protection Committee

The Corporate Culture and Consumer Protection Committee comprises seven members, including Executive Director Mr. LIN Jingzhen, Non-executive Directors Mr. HUANG Binghua and Mr. SHI Yongyan, and Independent Directors Mr. CHUI Sai Peng Jose, Mr. Jean-Louis EKRA, Mr. E Weinan and Mr. Giovanni TRIA. Non-executive Director Mr. HUANG Binghua serves as Chair of the committee and Mr. Giovanni TRIA serves as Vice Chair of the committee.

The main duties of the Corporate Culture and Consumer Protection Committee are: to review and examine the Bank's corporate culture development plans and policies, etc., and urge the implementation of the above plans and policies, etc.; to urge the Senior Management to examine and assess the implementation of the Bank's values, and guide the refinement and elaboration, promotion and popularisation, education and training, and implementation of the value concepts system; to urge the Senior Management to build a corporate culture work evaluation system, and oversee and assess the development and implementation of the Bank's corporate culture; to review and examine the Bank's employee code of conduct and urge the Senior Management to put in place a matching implementation mechanism; to review and examine the Bank's consumer protection strategies, policies, objectives, etc., and supervise and evaluate the Bank's consumer protection work; to review and examine the Bank's environmental, social and governance related development plans, policies and reports; urge the Senior Management to identify, assess and manage important issues regarding environment, society and governance, and review and examine appropriate and effective environmental, social and governance risk management and internal control systems established and submitted by the Senior Management; to regularly hear the reports on the Bank's corporate culture building, environmental, social and governance and consumer protection work; and to raise advice and suggestions on the above matters to the Board of Directors.

In 2023, the Corporate Culture and Consumer Protection Committee held four on-site meetings on 24 March, 27 April, 28 August and 27 October respectively, at which it reviewed the 2022 Corporate Social Responsibility Report, the 2022 Work Report and 2023 Work Plan for Consumer Protection, and the Management Measures for Consumer Protection (Version 2023), etc. In addition, it regularly heard reports on complaint management and consumer protection supervision and evaluation, undertook overall planning and detailed deployment of the Bank's consumer protection work, and put forward many helpful and constructive opinions.

Audit Committee

The Audit Committee comprises five members, including Non-executive Directors Mr. ZHANG Yong and Mr. ZHANG Jiangang, and Independent Directors Mr. Martin Cheung Kong LIAO, Mr. Giovanni TRIA and Ms. LIU Xiaolei. Independent Director Ms. LIU Xiaolei serves as Chair of the committee.

The main duties of the Audit Committee are to review and examine the appointment, renewal and replacement of the external auditor, and the related audit fees; to evaluate the external auditor's performance and oversee its independence, work process, quality and results, to review and examine the external auditor's annual report, the audited annual financial statements, discussion and analysis of the operation and any interim financial statements; to prepare a judgmental report regarding the truthfulness, completeness and correctness of the financial information contained in the audited annual financial statements of the Bank; to review the external auditor's findings and recommendations relating to the financial management and control processes; to review with the external auditor significant issues regarding the application of accounting principles and the preparation of financial statements; to review and examine the annual plan and scope of work of the external auditor; to review and examine significant accounting and auditing policies and important auditing regulations; to review and examine the disclosure of financial information of the Bank, to review and examine the Internal Auditing Charter and other important policies, reports and organisational structure of the audit department; to review and examine the medium and long-term audit plans and annual audit plan, and guide, evaluate and appraise the internal audit work, to review and examine the appointment of the chief audit officer and, when appropriate, propose the termination and replacement of the chief audit officer, who shall report directly to the Board of Directors and the Audit Committee; to review the qualifications, performance and independence of the chief audit officer and his/her compensation, to urge the Bank to implement internal controls and management; to review and examine the significant audit findings to the Senior Management prepared by the internal audit department and the Senior Management's response thereto; to review and examine the Senior Management's plans to address significant deficiencies and material weaknesses in the design or operation of internal controls and financial reporting; to discuss the adequacy of the Bank's internal controls with the chief audit officer and the external auditor, and any special audit steps adopted in light of material control deficiencies; to review and examine the report on fraud cases, to review and examine employee reporting system and urge the Bank to conduct fair investigation and to take appropriate measures regarding the matters reported by the employees, to raise advice and suggestions on the above matters to the Board of Directors.

In 2023, the Audit Committee held six on-site meetings on 6 March, 27 March, 27 April, 25 August, 26 October and 11 December respectively. It mainly reviewed and approved the 2023 plan and financial budget for internal audit; reviewed the Bank's 2022 financial report, 2023 interim financial report and quarterly financial reports for the first and third quarters of 2023, the internal control work report for 2022 and the first half of 2023, the 2022 internal control assessment report, and the internal audit results on internal control and related management proposal. In addition, it heard a report on the Senior Management's response to PwC's management proposal for 2022, the report on the progress of the internal control audit of PwC in 2022, updates on compliance with the independence requirements, the audit plan for 2023 of PwC, reports on internal audit in 2022 and the first half of 2023, the 2022 report on overseas supervision information, the report on asset quality in the first quarter of 2023, and the report on the prevention and control of external cases in 2022.

Moreover, in response to changes in domestic and overseas economic and financial situation, the Audit Committee paid close attention to the results from the Bank's efforts to improve business performance and cost control. The committee heard the Group risk report and the report on asset quality, among others, thus assisting the Board of Directors in performing its responsibilities and duties. It also put forward many important opinions and suggestions regarding the improvement of the corporate governance mechanism, the enhancement of internal audit independence, the improvement of credit asset quality and the improvement of internal control measures.

According to the *Procedure Rules on the Preparation of the Annual Report of the Board Audit Committee of Bank of China Limited*, prior to the start of audit field work by the auditors, the Audit Committee understood from the auditors the details of the 2023 audit plan, including areas of focus for auditing the 2023 Annual Report, risk assessment and identification methods, the application of accounting standards, testing procedures relating to internal control, compliance and fraud, and the allocation of human resources. In particular, the committee reminded the auditors to report any difference of judgement between the auditors and Senior Management during the audit, as well as the process and results of aligning such differences, if any.

The Audit Committee heard and reviewed reports from the Senior Management concerning the Bank's business performance and primary financial data. It also requested that the Senior Management to submit the annual financial statements to the auditors in a timely manner, so as to ensure sufficient time for the annual audit. During the audit, the committee maintained independent communications with the auditors and arranged independent communications between the auditors and the independent directors. At its second meeting of 2024, the Audit Committee reviewed and approved the Bank's 2023 financial statements and submitted them to the Board of Directors for approval.

In accordance with the *Policies of Selection, Rotation and Dismissal for External Auditors of Bank of China Limited*, the external auditor submitted a summary report for 2023 audit and a report on their compliance with the principle of independence to the committee.

Risk Policy Committee

The Risk Policy Committee of the Bank comprises seven members, including Executive Director Mr. LIN Jingzhen, Non-executive Directors Mr. ZHANG Yong, Mr. HUANG Binghua and Mr. LIU Hui, and Independent Directors Mr. CHUI Sai Peng Jose, Mr. Jean-Louis EKRA and Ms. LIU Xiaolei. Non-executive Director Mr. ZHANG Yong serves as Chair of the committee, and Independent Director Mr. Jean-Louis EKRA serves as Vice Chair of the committee.

The main duties of the Risk Policy Committee are: to review and examine the risk culture and the Bank's risk management status, formulate risk management strategies, review and re-examine major risk management policies and procedures, and review and examine risk preference; to review and examine the comprehensive risk management report, Supervise the Senior Management carrying out comprehensive risk management, and ensure the establishment of risk limits; to review and examine matters related to the performance appraisal of the chief risk officer; to urge the implementation of the Bank's risk management strategy, policy and procedure; to supervise the status of the Bank's compliance with regulations; review and examine compliance policy of the Bank, and hear and examine the report of implementation status of the compliance policy of the Bank; to organize and guide the case prevention work in accordance with regulatory requirements; and to raise advice and suggestions on the above matters to the Board of Directors.

In 2023, the Risk Policy Committee held seven on-site meetings on 17 January, 6 March, 24 March, 25 April, 24 August, 27 October, and 27 December respectively, and one meeting via written resolution. The Committee mainly reviewed the Group's risk appetite statement, strategic risk management policy, reputational risk management policy, recovery and resolution plan, trading book market risk limits, country risk limits, capital adequacy ratio report, anti-money laundering work report, stress test management report, data governance progress report and liquidity risk management report. The committee also regularly reviewed the Group's comprehensive risk reports and other agendas.

In addition, the Risk Policy Committee paid close attention to macroeconomic and financial changes, risk events in the international banking industry, and the overall overseas and domestic regulatory environment. It also expressed important opinions and recommendations regarding refinement of the Bank's comprehensive risk management system, improvement of the Bank's risk governance mechanism and the enhancement of capabilities in stress testing and emergency response.

The US Risk and Management Committee is established under the Risk Policy Committee. It oversees and manages all risks in the Bank's institutions in the US, and performs the duties of the Board of Directors of the Bank's New York Branch and its subordinate committees.

The US Risk and Management Committee currently comprises five members, all of whom are members of the Risk Policy Committee, including Executive Director Mr. LIN Jingzhen, Non-executive Directors Mr. ZHANG Yong and Mr. HUANG Binghua, and Independent Directors Mr. CHUI Sai Peng Jose and Mr. Jean-Louis EKRA. Executive Director Mr. LIN Jingzhen and Independent Director Mr. Jean-Louis EKRA serve together as the co-Chairs of the US Risk and Management Committee.

In 2023, the US Risk and Management Committee held four on-site meetings on 22 March, 15 June, 25 September, and 18 December respectively, and three meetings via written resolutions. It regularly reviewed reports regarding the risk management and operations of all of the Bank's institutions in the US, and heard the latest US regulatory trends and dynamics, among others. In addition, the committee reviewed and approved the relevant framework documents and important policies of all of the Bank's institutions in the US, in line with regulatory requirements.

Personnel and Remuneration Committee

The Remuneration Personnel and Committee comprises six members, including Non-executive Directors Mr. HUANG Binghua and Mr. SHI Yongyan, and Independent Directors Mr. Martin Cheung Kong LIAO, Mr. CHUI Sai Peng Jose, Mr. E Weinan and Ms. LIU Xiaolei. Independent Director Mr. CHUI Sai Peng Jose serves as Chair of the committee.

The main duties of the Personnel and Remuneration Committee are: to review and examine the Bank's human resources and remuneration strategies; urge the implementation of relevant strategies; to re-examine the structure, size and composition of the Board of Directors on a regular basis, and make suggestions regarding the scale and composition of the Board of Directors in accordance with the Bank's strategic plan, operation situation, size of assets and shareholding structure; to re-examine the selection standards, nomination and recruitment process of directors, members in each special committee and senior management personnel on a regular basis; to identify individuals suitably qualified to become directors; to perform preliminary review of the qualification and conditions of candidates for directors; perform preliminary review of the candidates for President of the Bank, Board Secretary and Chair of the special committees nominated by the Chairman of the Board in accordance with the selection standards and nomination process; perform preliminary review of the candidates for Executive Vice President, Executive Assistant President, Chief Financial Officer, Chief Risk Officer and other senior management personnel of the Bank nominated by the President; and perform preliminary review of the candidate for Chief Audit Officer nominated by the Audit Committee; to select and nominate the candidates for members of the special committees; to review and examine, and urge and supervise implementation of the remuneration and incentive policies of the Bank; review and examine the remuneration distribution plan and incentive plan of directors and senior management personnel; review and examine the evaluation standards for senior management personnel; and appraise the directors for fulfilling their duties; and to raise advice and suggestions on the above matters to the Board of Directors.

In 2023, the Personnel and Remuneration Committee held five on-site meetings on 17 January, 27 March, 4 April, 27 April and 28 August respectively, and two meetings via written resolution. The committee mainly reviewed the nomination of Mr. GE Haijiao as candidate for executive director of the Bank, election of Mr. GE Haijiao as Chairman of the Bank and joining of Mr. GE Haijiao in special committees of the Board of Directors of the Bank, the nomination of Mr. SHI Yongyan and Mr. LIU Hui as candidates for non-executive directors of the Bank, the appointment of Mr. ZHANG Xiaodong, Mr. ZHANG Yi and Mr. CAI Zhao as Executive Vice Presidents of the Bank, the performance evaluation results and remuneration distribution plan for the President and other senior management members for 2022, the 2023 implementation plan for performance evaluation of the Chairman, President and other senior management members, and the adjustment of Chairs and members of special committees of the Board of Directors, among others.

According to the Articles of Association of the Bank, any shareholder who holds by himself or jointly with others 3% or more of the total number of voting shares of the Bank may, by submitting a written proposal to the shareholders' meeting, recommend candidates for directorships, provided the number of candidates nominated shall be in accordance with the provisions of the Articles of Association (between 12 and 17) and not exceed the number to be elected. List of candidates for directors may be recommended by the Board of Directors within the number of candidates stipulated in the Articles of Association, with reference to the diversity policy of the Bank and according to the number to be elected. The Personnel and Remuneration Committee shall undertake a preliminary review of the qualifications and experience of candidates for directorships, and refer those qualified candidates to the Board of Directors for further examination. After the Board of Directors' approval via resolution, the candidates shall be referred to the shareholders' meeting through written proposals. When directorships need to be added or filled temporarily, the Board of Directors shall raise a proposal and make a recommendation to the shareholders' meeting to elect or replace. During the reporting period, the Bank appointed directors in strict compliance with the Articles of Association.

Connected Transactions Control Committee

The Connected Transactions Control Committee comprises four members, including Independent Directors Mr. Martin Cheung Kong LIAO, Mr. CHUI Sai Peng Jose, Mr. Giovanni TRIA and Ms. LIU Xiaolei. Independent Director Mr. Martin Cheung Kong LIAO serves as Chair of the committee.

The main duties of the Connected Transactions Control Committee of the Board of Directors are as follows: to manage the connected transactions of the Bank in accordance with the provisions of laws and regulations, and review and examine the corresponding management system for connected transactions; to define the connected transactions of the Bank in accordance with the provisions of the laws, regulations and the Articles of Association of the Bank; to examine the connected transactions pursuant to the provisions of the laws and regulations and based on the business principles of justice and fairness; to issue, by the member who is an independent director, a written report on the fairness and compliance of significant connected transactions and the performance of the internal approval procedure; to review and examine the significant connected transactions and upon acceptance by the independent director, submit them for approval based on the transaction amount; to review and examine the matters of information disclosure of the significant connected transactions of the Bank; and to raise advice and suggestions on the above matters to the Board of Directors.

In 2023, the Connected Transactions Control Committee held three on-site meetings on 27 March, 28 August, and 26 October respectively, at which it mainly reviewed and approved the Bank's filing mechanism for general connected transactions and other proposals. It also reviewed the report on connected transactions in 2022 and the report on the implementation of new regulatory rules on connected transactions, among others. During the reporting period, the Connected Transactions Control Committee paid constant attention to the interpretation and implementation of new regulatory rules, IT system development and connected transactions data management. The members of the committee put forward constructive suggestions on the management of connected parties and the monitoring of connected transactions.

Board of Supervisors

Functions and Powers of the Board of Supervisors

The Board of Supervisors is the Bank's supervisory organ and is responsible to the shareholders' meeting. As stipulated in the Company Law and the Articles of Association of the Bank, the Board of Supervisors is responsible for overseeing the work of the Board of Directors so as to ensure the establishment of a prudent operational principle, value criterion and an appropriate development strategy. It supervises the duty performance and due diligence of the Board of Directors, the Senior Management and its members as well as the Bank's financial activities, risk management and internal control.

Composition of the Board of Supervisors

The Board of Supervisors currently comprises five members. There are two employee supervisors and three external supervisors. According to the Articles of Association, a supervisor has a term of office of three years and may serve consecutive terms by re-election and re-appointment unless otherwise specified by laws, regulations, supervisory requirements and the Articles of Association of the Bank. Shareholder supervisors and external supervisors are elected or replaced by the shareholders' meeting, while employee supervisors are elected or replaced by the Employee Delegates' Meeting.

The Board of Supervisors has set up the Duty Performance and Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee to assist it in performing duties under its authorisation.

Duty Performance of the Board of Supervisors

In 2023, the Board of Supervisors and its special committees earnestly performed their supervisory responsibilities and diligently reviewed relevant proposals. The Board of Supervisors held four on-site meetings and one meeting via written resolution. The Duty Performance and Due Diligence Supervision Committee held four on-site meetings and two meetings via written resolutions, while the Finance and Internal Control Supervision Committee held four on-site meetings and one meeting via written resolution. For details of the performance of and supervisory opinions from the Board of Supervisors during the reporting period, please refer to the section "Report of the Board of Supervisors".

Senior Management

Functions and Powers of the Senior Management

The Senior Management is the executive organ of the Bank. It is headed by the President, with executive vice presidents and other senior management members assisting the President's work. The main functions and powers of the President include presiding over the Bank's daily administrative, business and financial management; organising the implementation of the business plan and investment schemes; drafting basic management regulations and specific rules; nominating candidates for other senior management positions; and reviewing employees' remuneration, benefit, reward and punishment measures.

Duty Performance of the Senior Management

During the reporting period, the Senior Management of the Bank managed the Bank's operations in accordance with the powers bestowed upon it by the Articles of Association and the authorisations of the Board of Directors. In accordance with the operation and management objectives approved by the Board of Directors, the Senior Management formulated business plan, operation strategy and management measures and made timely adjustments according to market changes. It invited directors and supervisors to attend important meetings and major activities, listened to their opinions and suggestions, and kept close communication with the Board of Directors and the Board of Supervisors, continuously improving the quality and efficiency of operation and management. In 2023, the Group's operating results achieved steady progress.

During the reporting period, the Senior Management of the Bank held 36 regular meetings of Executive Committee, at which it focused on key operational areas and discussed and decided upon a series of significant matters, including the Group's business development, globalised development, integrated operation, consumer protection, technology finance, green finance, inclusive finance, pension finance, digital finance and comprehensive risk management. It also held special meetings to study and make plans for the Group's corporate banking, personal banking, financial markets, channel operation, IT and risk internal control.

During the reporting period, the former Financial Digitalisation Committee under the Senior Management (Executive Committee) was renamed the Digital Finance Committee, which is responsible for the overall management and professional decision-making of the Group's digital development, FinTech, data governance, scenario-based ecosystem building, innovation and product management. The newly established Inclusive Finance Committee is responsible for the overall management and professional decision-making of the Group's inclusive finance work. The newly-established Pension Finance Committee is responsible for the overall management and professional decision-making of the Group's pension finance. Currently, the Senior Management presided over the Asset and Liability Management Committee, Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, Asset Disposal Committee, Credit Risk Management and Decision-making Committee and Related Party Transactions Management Office), Centralised Procurement Management Committee, Securities Investment and Management Committee, Asset Management Business Committee, Consumer Protection Committee, Technology Finance Committee, Green Finance Committee, Inclusive

Finance Committee, Pension Finance Committee, Digital Finance Committee and Cross-border Finance Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as per the powers specified in their committee charters and the rights delegated by the Executive Committee, and pushed forward the sound development of the Bank's various operations.

Securities Transactions by Directors and Supervisors

Pursuant to domestic and overseas securities regulatory requirements, the Bank formulated and implemented the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "*Management Rules*") to govern securities transactions by directors, supervisors and senior management members of the Bank. The terms of the *Management Rules* are more stringent than the mandatory standards set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* contained in Appendix C3 to the Hong Kong Listing Rules (the "*Model Code*"). All directors and supervisors confirmed that they had complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

Appointment of External Auditors

Following approval by the 2022 Annual General Meeting, PricewaterhouseCoopers Zhong Tian LLP was appointed as the Bank's domestic auditor and internal control auditor for 2023, and PricewaterhouseCoopers was appointed as the Bank's international auditor for 2023.

Fees paid to PricewaterhouseCoopers and its member firms for auditing the financial statements of the Group, including those of the Bank's overseas subsidiaries and branches, were RMB193 million for the year ended 31 December 2023, of which the fees for internal control audit paid to PricewaterhouseCoopers Zhong Tian LLP totalled RMB12 million. The Bank paid RMB14.786 million for non-auditing services to PricewaterhouseCoopers and its member firms during the year.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have provided audit services to the Bank for three years. In 2023, Ms. HO Shuk Ching Margarita is the audit engagement partner. Ms. HO Shuk Ching Margarita, Mr. WANG Wei and Mr. LI Dan are the certified public accountants who signed the auditor's report on the Bank's financial statements prepared in accordance with CAS for the year ended 31 December 2023.

Investor Relations and Information Disclosure

In 2023, the Bank closely tracked market dynamics, actively enriched its market communication methods, continued to build a professional and efficient investor relations management practice, and strived to improve its service provided to capital market investors. The Bank actively organised market communication activities for the release of its annual, interim and quarterly results, and arranged its annual results release conference simultaneously in three venues (Beijing, Boao and Hong Kong SAR) for the first time. The Bank also carried out in-depth exchanges with institutional investors through various channels, including participating in seminars held by investment banking institutions, holding non-deal roadshows and thematic meetings, conducting daily communications, etc., and recorded relevant information for review and registration in a timely manner, thus proactively conveyed its investment value to capital markets. The Bank also attached high importance to investor services for minority investors. It professionally answered investor hotline and email inquiries, promptly responded to inquiries from the "e-interaction online platform" run by the SSE, optimised the information shared in the investor relations section of the official website of the Bank, co-organised investor networking event "Into the Blue-chip" with China Securities Investor Services Centre, and actively participated in themed investor education activities such as "National Investor Protection Publicity Day", thus improved the breadth, depth and warmth of its shareholder services. It actively sought out market opinions and suggestions regarding the Bank's operation and development and disseminated such information internally in a timely manner, thus continuously improving its corporate governance and intrinsic value. The Bank earnestly carried out shareholder services and equity management work according to regulatory requirements and management needs.

The Bank strictly adhered to the principles of truthfulness, accuracy, completeness, conciseness and clarity, focused on the demands of investors, and continuously took steps to increase the pertinence and effectiveness of information disclosure so as to enhance information transparency, with an average of about 390 documents disclosed each year. The Bank has established a comprehensive and systemic information disclosure policy system, putting in place clear specifications regarding information disclosure standards and their scope of application; the responsibilities and division of work of all parties concerned; compilation and disclosure procedures, and internal monitoring and punitive measures. It conducted timely re-examination of various types of policy documents in accordance with changes in regulatory rules during the year. Moreover, the Bank actively promoted voluntary information disclosure to respond to market concerns. In 2023, with an emphasis on issues of critical interest to the capital markets, including serving the real economy, cross-border financial services, Belt and Road development, RMB internationalisation, and ESG development philosophy, it actively enhanced voluntary information disclosure and responded to market concerns through regular reports and other methods, thus increasing the transparency of information and realising more efficient communication with capital markets. Furthermore, the Bank reinforced the information disclosure responsibility system and information correspondent mechanism, and promoted the building of a professional team and a strong compliance culture with regard to information disclosure, so as to make its information disclosure management more proactive and forward-looking. It also carried out the registration and submission of information insiders according to relevant regulatory requirements and the Bank's rules.

In 2023, the Bank further enhanced its work in investor relations and information disclosure management, and continued to receive wide market recognition. It won a number of awards including the 6th "Best IR Hong Kong Listed Company (A+H Shares)" from New Fortune, "Best Practice Cases of 2022 Annual Report and Results Briefing of Public Companies" from the China Association for Public Companies, and "Award for Investor Relation Case of Listed Companies in China" from *Securities Times*. The Bank's annual report won an "Annual Report Platinum Award for Comprehensive Comparison" of the League of American Communications Professionals (LACP).

Report of the Board of Directors

The Board of Directors is pleased to present its report together with the audited Consolidated Financial Statements of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2023.

Principal Activities

The Bank provides a range of banking and related financial services, including commercial banking, investment banking, direct investment, securities, insurance, fund management, aircraft leasing, asset management, financial technology business and financial leasing.

Major Customers

During the year, the five largest customers of the Group accounted for less than 30% of the interest income and other operating income of the Group.

Results and Profit Distribution

Ordinary Shares

The Bank's annual results for 2023 are set out in the Consolidated Financial Statements. The Board of Directors has recommended a final dividend on ordinary shares for 2023 of RMB2.364 per 10 shares (before tax), subject to the approval of the forthcoming 2023 Annual General Meeting. If approved, the 2023 final dividend on the Bank's ordinary shares will be denominated and declared in RMB and paid in RMB or equivalent Hong Kong dollars. The actual amount distributed in Hong Kong dollars will be calculated according to the average of the exchange rates of HKD to RMB announced by PBOC in the week before the date (inclusive) of the Bank's Annual General Meeting. The A-Share dividend distribution date is expected to be 17 July 2024 and the H-Share dividend distribution date is expected to be 5 August 2024 in accordance with relevant regulatory requirements and business rules. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

At the Bank's 2022 Annual General Meeting held on 30 June 2023, a final dividend on ordinary shares for 2022 of RMB2.32 per 10 shares (before tax) was approved for payment. The A-Share and H-Share dividends were distributed to the shareholders in July and August of 2023 in accordance with relevant regulations. The distribution plan has been accomplished and the actual distributed dividend amount for ordinary shares was approximately RMB68.298 billion (before tax). No interim dividend on ordinary shares was paid for the period ended on 30 June 2023 by the Bank. The Bank did not propose any capitalisation of the capital reserve to share capital in 2023.

Preference Shares

At the Board meeting held on 28 October 2022, the dividend distribution plan for the Bank's Offshore Preference Shares (Second Tranche) was approved. The Bank distributed dividends on the Offshore Preference Shares (Second Tranche) on 6 March 2023. According to the Bank's issuance terms of the Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) were paid in US dollars, with a total of approximately USD101.5 million (after tax) at an annual dividend rate of 3.60% (after tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 28 April 2023, the dividend distribution plans for the Bank's Domestic Preference Shares (Third Tranche and Fourth Tranche) and the Offshore Preference Shares (Second Tranche) were approved. The Bank distributed a total of RMB3.285 billion (before tax) of dividends on the Domestic Preference Shares (Third Tranche) on 27 June 2023, with an annual dividend rate of 4.50% (before tax). The Bank distributed a total of RMB1.1745 billion (before tax) of dividends on the Domestic Preference Shares (Fourth Tranche) on 29 August 2023, with an annual dividend rate of 4.35% (before tax). The Bank distributed dividends on the Offshore Preference Shares (Second Tranche) on 4 March 2024. According to the Bank's issuance terms of the Offshore Preference Shares (Second Tranche), dividends on Offshore Preference Shares (Second Tranche) were paid in US dollars, with a total of approximately USD101.5 million (after tax) at an annual dividend rate of 3.60% (after tax). The dividend distribution plan has been accomplished.

Cash Dividend Payout for Ordinary Shares and Capitalisation of the Capital Reserve to Share Capital for the Past Three Years

Year of dividend distribution	Dividend per share (before tax) (Unit: RMB)	Total dividend (before tax) (Unit: RMB million)	Profit attributable to equity holders of the Bank (Unit: RMB million)	Payout ratio	Capitalisation of the capital reserve to share capital
2023	0.2364	69,593	231,904	30%	Nil
2022	0.232	68,298	227,439	30%	Nil
2021	0.221	65,060	216,559	30%	Nil

Formulation and Implementation of Cash Dividend Policy

Ordinary Shares

The Bank takes full account of shareholder return while also taking into account the long-term interests of the Bank, the overall interests of all its shareholders and the sustainable development of the Bank.

The Articles of Association of the Bank states that the Bank should maintain the continuity and stability of its profit distribution policy. It also clarifies the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the ordinary shareholders of the Bank. The Bank shall offer online voting to shareholders when considering amendments to the profit distribution policy and profit distribution plan.

The procedure to formulate the aforementioned dividend distribution policy was compliant, transparent and complete. The criterion and ratio of the dividend are explicit and clear. The independent directors fully expressed their opinions and the legitimate rights and interests of minority shareholders were fully respected and protected. The procedure was in line with the provisions of the Articles of Association and other rules and regulations.

The dividend distribution plan for ordinary shares of the Bank has been approved by the shareholders' meeting. In 2023, the Bank distributed dividends on ordinary shares for 2022 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

The preference shareholders of the Bank receive dividend at the specified dividend rate prior to the ordinary shareholders. The Bank shall pay the dividend to the preference shareholders in cash. The Bank shall not distribute dividends on ordinary shares before all the dividends on preference shares have been paid.

Dividends on the Bank's preference shares will be distributed on an annual basis. Once the preference shareholders have received dividends at the specified dividend rate, they shall not be entitled to participate in the distribution of the remaining profits of the Bank together with the ordinary shareholders.

The preference share dividend is non-cumulative. If any preference share dividend for any dividend period is not paid in full, such remaining amount of dividend shall not be carried forward to the following dividend year. The Bank shall be entitled to cancel the payment of any dividend of the preference shares, and such cancellation shall not constitute a default. The Bank may at its discretion use the funds arising from the cancellation of such dividend payment to repay other indebtedness due and payable.

Dividend payments are independent of the Bank's credit rating, nor do they vary with the credit rating.

In 2023, the Bank distributed dividends on preference shares in strict compliance with the Articles of Association, the terms of issuance of preference shares and the Board of Directors' resolutions on dividend distribution.

Closure of H-Share Register of Members

The H-Share register of members of the Bank will be closed from Wednesday, 10 July 2024 to Tuesday, 16 July 2024 (both days inclusive), for the purpose of determining the list of shareholders entitled to the proposed final dividends on ordinary shares. In order to qualify for the proposed final dividends, the H-Share Holders of the Bank who have not registered the relevant transfer documents are required to lodge them, together with the relevant share certificates, with the H-Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, China, no later than 4:30 p.m. on Tuesday, 9 July 2024. The ex-dividend date of the Bank's H Shares will be on Monday, 8 July 2024.

Donations

Charitable donations made by the Group during the reporting period amounted to approximately RMB94.5351 million.

Share Capital

As at the latest practicable date prior to the issue of this annual report, the Bank had sufficient public float based on publicly available information, in compliance with the minimum requirement of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange at the time of the Bank's listing.

Distributable Reserves

Please refer to Note V.39 to the Consolidated Financial Statements for details of distributable reserves of the Bank.

Fixed Assets

Please refer to Note V.20 to the Consolidated Financial Statements for details of the fixed assets of the Bank.

Financial Summary

Please refer to the section "Financial Highlights" for the summary of the annual results, assets and liabilities of the Bank for the last five years.

Connected Transactions

In 2023, the Bank strictly complied with laws and regulations, regulatory requirements regarding connected transactions, the listing rules of the SSE and the Hong Kong Stock Exchange, and carried out connected transactions in compliance with business principles. All management mechanisms for connected transactions ran smoothly, reasonably safeguarding the interests of all shareholders and the Bank as a whole.

According to the *Administrative Measures for Connected Transactions of Banking and Insurance Institutions* issued by the NFRA, the Bank cumulatively incurred connected transactions of RMB6.85 trillion with connected parties in 2023, including credit-type connected transactions of RMB171.301 billion, asset transfer connected transactions of RMB15.037 billion, service connected transactions of RMB10.526 billion, deposit and other connected transactions of RMB253.567 billion, spot derivatives connected transactions of RMB772.248 billion, and the interbank business with connected party banks of RMB5.63 trillion. At the end of 2023, the balance of credit facilities granted to connected parties reached RMB162.550 billion, accounting for 5.55% of the Bank's net capital (by legal person standard), which is in compliance with the regulatory requirements for the balance of credit facilities granted to connected parties.

Under the Hong Kong Listing Rules, transactions between the Bank and its connected persons (as defined under the Hong Kong Listing Rules) constitute connected transactions to the Bank. Such transactions are monitored and administered by the Bank in accordance with the Hong Kong Listing Rules. In 2023, the Bank has engaged in a number of connected transactions with its connected persons in the ordinary and usual course of its business. Such transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements according to the Hong Kong Listing Rules.

Directors' Interests in Competing Businesses of the Bank

None of the directors has interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group.

Remuneration Policy of Directors, Supervisors and Senior Management Members

The Bank has formulated clear regulations on the remuneration of directors, supervisors and senior management members. The remuneration for Chairman of the Board of Directors, President, Chairperson of the Board of Supervisors and executive vice presidents shall be paid in accordance with the rules on remuneration reform for central enterprises, which consists of basic annual remuneration, performance-based annual remuneration and incentive income linked to term appraisal. The remuneration for other senior management members and shareholder supervisors consists of basic annual remuneration and performance-based remuneration, with part of the performance-based remuneration paid in a deferred manner. According to the recourse and recovery mechanism for performance-based remuneration of the Bank, if risk losses falling within the employees' remit and responsibility are exposed in excess during the term of service, the Bank may recover part or all of the performance-based remuneration paid within the corresponding period, and stop the payment of the part that has not been paid. Independent directors as well as external supervisors and employee supervisors are remunerated by the Bank while non-executive directors are not remunerated by the Bank. The Bank remunerates directors, supervisors and senior management members who are employed by the Bank with salaries, bonuses, employer contributions to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund, as well as other monetary income.

Please refer to the section "Directors, Supervisors and Senior Management Members" for details of the remuneration of directors, supervisors and senior management members.

Directors' and Supervisors' Service Contracts

None of the directors or supervisors of the Bank has a service contract with the Bank or its subsidiaries that is not determinable within one year or is not determinable without payment of compensation other than normal statutory compensation.

Directors' and Supervisors' Interests in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance, in relation to the Bank's business to which the Bank, its holding companies, or its subsidiaries or fellow subsidiaries was a party and in which a director or a supervisor or any entity connected with them was materially interested, directly or indirectly, subsisted during the reporting period.

Directors' and Supervisors' Rights to Acquire Shares

During the reporting period, none of the Bank, its holding company, or any of its subsidiaries or fellow subsidiaries was a party to any arrangement that would enable the Bank's directors, supervisors, or their respective spouses or children below the age of 18, to benefit by acquiring shares in, or debentures of, the Bank or any other body corporate.

Directors' and Supervisors' Interests in Shares, Underlying Shares and Debentures

To the best knowledge of the Bank, as at 31 December 2023, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code* as set out in Appendix C3 of the Hong Kong Listing Rules.

Financial, Business and Family Relations among Directors, Supervisors and Senior Management Members

Directors, Supervisors and senior management members of the Bank are not related to one another with respect to finance, business and family, or other material relations.

Substantial Shareholder Interests

Please refer to the section "Changes in Shares and Shareholdings of Shareholders" for the details of the Bank's substantial shareholder interests.

Management Contracts

No contract concerning the management or administration of the whole or any substantial part of the business of the Bank was entered into or existed during the reporting period.

Share Appreciation Rights Plan and Share Option Scheme

Please refer to Note V.35 to the Consolidated Financial Statements for details of the share appreciation rights plan and share option scheme of the Group.

Purchase, Sale or Redemption of the Bank's Shares

During the reporting period, neither the Bank nor its subsidiaries purchased, sold or redeemed any of the Bank's shares.

Pre-emptive Rights

There are no compulsory provisions for pre-emptive rights requiring the Bank to offer new shares to existing shareholders in proportion to their existing shareholdings under the Articles of Association. The Articles of Association provide that the Bank may increase its capital by public offering, private placement, issuing rights of new shares to existing shareholders or allotting new shares to existing shareholders, transferring its capital reserve, issuing convertible bonds, or through other means as permitted by laws, administrative regulations and relevant regulatory authorities.

Permitted Indemnity Provision

As stipulated in the Articles of Association, within the scope permitted under applicable laws, administrative regulations and the Articles of Association, the Bank may purchase and maintain any liabilities insurance for the Bank's former and incumbent directors. The Bank will indemnify every former and incumbent director out of its own assets against any liability incurred when he/she served as director of the Bank to the maximum extent permitted by law and administrative regulations or alternatively to the extent that it is not prohibited by law and administrative regulations unless it is established that the director has not acted honestly or in good faith in performing his/her duties.

During the reporting period, the Bank renewed its directors' liability insurance to provide protection against claims arising from the lawful discharge of duties by directors, thus encouraging directors to fully perform their duties.

Equity-linked Agreement

The Bank has not been engaged in any equity-linked agreement during the reporting period.

Business Review

For disclosures of the Bank in respect of business review under Appendix D2 to the Hong Kong Listing Rules, please refer to sections "Management Discussion and Analysis" and "Environmental and Social Responsibilities" and the "Consolidated Financial Statements". The relevant disclosure constitutes part of the Report of the Board of Directors.

Use of Raised Funds

All proceeds raised from initial public offerings, the rights issue, issuances of tier 2 capital bonds, preference shares and undated capital bonds have been used to replenish the Bank's capital and increase the level of capital adequacy.

For details, please refer to the related announcements on the websites of SSE, HKEX and the Bank and the Notes to the Consolidated Financial Statements.

Tax and Tax Relief

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. Shareholders should seek professional advice from their tax and legal advisors. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2023.

A-Share Holders

In accordance with the provisions of the *Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies* (Caishui [2012] No. 85) and the *Notice on Differentiated Individual Income Tax Policy for Stock Dividends and Bonuses of Listed Companies* (Caishui [2015] No. 101) issued jointly by the MOF, the State Administration of Taxation of PRC, and the CSRC, for shares of listed companies obtained by individuals from public offerings or the transfer market, where the holding period is less than one month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds one year, the dividends and bonuses shall not be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. The individual income tax levied on dividends and bonuses obtained by equity investment funds from listed companies is also calculated in accordance with the aforementioned rules.

In accordance with the provisions of Article 26.2 of the *Enterprise Income Tax Law of the People's Republic of China*, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

In accordance with Article 83 of the *Implementation Rules of Enterprise Income Tax Law of the People's Republic of China*, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26.2 of the *Enterprise Income Tax Law of the People's Republic of China* mean those investment proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

In accordance with the *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China*, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

H-Share Holders

In accordance with Chinese tax laws and regulations, the dividends and bonuses received by overseas resident individual shareholders from stocks issued by domestic non-foreign investment enterprises in Hong Kong SAR are subject to the payment of individual income tax, which shall be withheld by the withholding agents. However, overseas resident individual shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong SAR are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between the Chinese mainland and Hong Kong SAR and Macao SAR. Accordingly, the Bank generally withholds 10% of the dividends to be distributed to the individual H-Share Holders as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

In accordance with the provisions of the *Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H-share Holders who are Overseas Non-resident Enterprises* (Guoshuihan [2008] No. 897) published by the State Administration of Taxation of PRC, when Chinese resident enterprises distribute annual dividends for 2008 onwards to H-share holders who are overseas non-resident enterprises, the enterprise income tax shall be withheld at a uniform rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong SAR, no tax is payable in Hong Kong SAR in respect of dividends on H Shares paid by the Bank.

The tax and tax relief of Shanghai-Hong Kong Stock Connect shall comply with the *Notice on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong* issued jointly by the MOF, the State Administration of Taxation of PRC, and the CSRC.

Domestic Preference Share Holders

The individual income tax levied on dividends obtained by individuals from non-public issuance of domestic preference shares is calculated in accordance with the relevant Chinese tax laws and regulations.

In accordance with the provisions of the *Enterprise Income Tax Law of the People's Republic of China* and the *Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China*, dividend income from domestic preference shares distributed between qualified resident enterprises are non-taxable, and dividend income from domestic preference shares obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

Offshore Preference Share Holders

In accordance with Chinese tax laws and regulations, when distributing dividends to overseas non-resident enterprises on offshore preference shares, the Bank shall withhold enterprise income tax at a rate of 10%.

In accordance with the current practice of the Inland Revenue Department of Hong Kong SAR, no tax is payable in Hong Kong SAR in respect of the dividends on offshore preference shares paid by the Bank.

Auditors

Please refer to the section "Corporate Governance – Appointment of External Auditors" for details of the Bank's external auditors.

Consumer Rights Protection

In 2023, the Bank adhered to the concept of people-centric development and comprehensively implemented the consumer rights protection requirements set out in relevant rules and regulations including the *Measures of the People's Bank of China for the Implementation of the Protection of Rights and Interests of Financial Consumers*, the *Guidelines on Strengthening the Development of Consumer Protection System and Mechanism in Banking and Insurance Institutions,* and the *Rules on Consumer Protection of Banking and Insurance Institutions*. Maintaining a high degree of stability while seeking progress, the Bank promoted the high-quality implementation of relevant rules and standards, continuously strengthened the quality and effectiveness of consumer protection throughout the Bank, and focused on enhancing the sense of gain, safety, and satisfaction experienced by the mass consumer.

"Greater satisfaction": providing more suitable products and higher-quality services

The Bank steadfastly applied the philosophy and requirements of consumer protection across the lifecycle of its products and services, making clear that product and service innovation should be based on customers' needs in compliance with the law and regulations, so as to protect consumers' legitimate rights and interests. Supporting the realisation of common prosperity, the Bank constantly optimised its product structure and sales strategies, extended and deepened its product pool and improved its specialised service capabilities in line with market conditions and customers' diversified needs. The Bank continued to enrich its services, products and marketing campaigns for personal customers in rural areas at the county level and served rural revitalisation. It extended the brand influence of "BOC Benefit Day" in business districts and promoted resident consumption upgrading. The Bank proactively expanded its scenario-based financial services, with a focus on elderly care, social insurance, travel, higher education institutions and other key areas, and constantly enhanced the coverage and quality of its consumer finance business. It worked hard to ensure "no blind spots" for offline services, expanded smart counter functions, and strictly followed the Bank's *Fifteen Rules for Excellent Outlet Services*. Meanwhile, it advocated "non-stop" online services and accelerated the upgrading of its mobile banking service capabilities to provide consumers with full-stack personal banking services.

"Firmer foundations": continuously improving policies and secure support

In terms of planning, the Bank's Board of Directors and its Corporate Culture and Consumer Protection Committee constantly strengthened plans and instructions for consumer protection work across the Bank, improved the Senior Management reporting mechanism as well as information sharing and supervision and evaluation mechanisms, and comprehensively integrated consumer protection into the Bank's corporate governance. In terms of execution, the Bank's Consumer Protection Committee firmly implemented related laws, rules, regulations and supervision policies on consumer protection, as well as all resolutions and decisions of the Bank, and vigorously organised and advanced consumer protection work across the Bank.

The Bank consistently adopted external supervision rules and improved its multi-tiered consumer protection policy system, which features "consumer protection policy – consumer protection management measures – special consumer protection management measures – special chapter on consumer protection in business rules", in terms of the ex-ante, interim and ex-post aspects at policy level. It ensured sufficient staff resources dedicated to consumer protection work, and improved the independence, authority and professionalism of employees working in consumer protection. The Bank attached great importance to employee education regarding consumer protection concepts. In 2023, participation in consumer protection training totalled 860 thousand across the Bank, covering all levels of middle and senior management, primary-level employees and new hires.

"More precise management": promoting business integration and highlighting the Group's synergies

Focusing on key links, the Bank carried out whole-process management covering ex-ante, interim and ex-post phases, and established three lines of defence for consumer protection with differentiated functions of implementation, supervision and instruction, and independent supervision. It further improved its consumer protection examination rules, developed the *Management Measures for Examination of Consumer Protection*, clarified the examination entities, examination scope, and examination procedures for consumer protection, improved key points of examination, steadily promoted a more institutionalised and standardised consumer protection examination process, and gave full play to the role of prior examination in risk prevention. The Bank strengthened suitability management for sales and clarified suitable operational standards for diversified financial products and services. It continually carried out after-sales management of financial products and services, implemented a complaints tracing and rectification mechanism and a customer feedback collection mechanism, and strengthened product and service re-examination. Meanwhile, the Bank proactively implemented the Group's management requirements to ensure the smooth running of the operational system for comprehensive consumer protection, encouraged overseas institutions and comprehensive operation companies to improve top-level design for consumer protection, and improved the penetrating and targeted management of consumer protection in those institutions.

"Higher quality and efficiency": emphasising key points and curbing growth in complaints

The Bank placed great emphasis on consumer complaints management, actively listened to consumers' voices and solved their most pressing difficulties and concerning problems.

The Bank smoothened complaint channels and followed up with customers' comments. It continuously established and improved its complaint handling rules, standardised and optimised the complaint handling process. Information about consumer complaint channels, such as telephone numbers, mailing addresses, email addresses and websites, as well as the handling process for consumer complaints, has been published in prominent positions on the Bank's official website, business premises, mobile banking and WeChat banking, in order to facilitate communication with customers.

The Bank strengthened dispute resolution and took targeted and all-round measures to rectify root problems. Focusing on reducing complaints at source, the Bank carried out comprehensive analysis based on consumer voice, regulatory alerts and key complaints, etc., addressed prominent problems with focuses on key fields such as personal loan and credit card services, and kept improving customer experience. It upheld and advocated the "Fengqiao Town Experience" in the new era, continuously deepened the diversified resolution mechanism, and resolved disputes in a legal, compliant and efficient manner.

The Bank provided more training to encourage heartfelt customer services. It organised further training on complaint handling, carried out special training for dispute handling, established a rapid response mechanism, and ensured that customer service staff and training resources were in place.

The Bank received 276 thousand complaints in 2023, an increase of 51.8% over 2022. Based on analysis by business type, 37.9% of complaints were about credit cards, 26.3% about debit cards, and 20.9% about loans. These three categories accounted for 85.1% of total complaints. In terms of the reasons for complaints, 76.7% were about policies and procedures, 9.1% about fee rates, and 4.0% about services. These three types of complaints accounted for 89.8% of the total. In terms of geographical distribution, the top five regions in terms of number of complaints in 2023 were Guangdong (10.7%), Shenzhen (6.1%), Jiangsu (4.1%), Henan (3.7%) and Sichuan (3.3%).

For details of complaints in 2023, please see the *Report on 2023 Financial Consumer Complaints of Bank of China* published on the Bank's website.

"A more flexible model": making innovations in education and publicity while attaching importance to special customer groups

In 2023, the Bank's brand influence in the field of financial education and publicity continued to expand, with more than 250,000 employees from over 11,000 outlets taking part in related activities. It held a total of over 75,000 financial education and publicity activities during the year, attracting around 800 million participations and receiving great support and wide recognition from all walks of life for their impact. The Bank proactively utilised multiple channels including its outlets, official website, WeChat official account, video account, Weibo, and mobile banking app to build an education and publicity matrix, and constantly enriched the formats of its education and publicity materials. It made full use of digital technology, provided online financial education services, designed themed original works via short videos and films, animations, cartoons, and other means that combine learning and fun. Its original online content received over 200 million engagements during the year, and were reported, forwarded and published 834 times by external media. The Bank organised activities to popularise financial knowledge in communities, villages, campuses, business districts, and enterprises. Based on the characteristics of regions and customer groups, it highlighted new ideas, new methods and new channels, organised activities popular among ordinary people and received positive response.

In line with the individual needs of different customers, the Bank conducted education and publicity activities in a tiered and prioritised way for specific groups including new urban residents, seniors, young people, and people with disadvantages. Focusing on common financial knowledge, it held education and publicity activities related to service scenarios in consumers' daily lives, such as consumer credit services, personal information protection and digital financial services, so as to improve financial consumers' capabilities to defend their legitimate rights and interests. Focusing on "hot spot" issues, it intensified efforts to warn consumers of behaviour that would infringe on their legitimate rights and interests, such as telecom fraud, illegal fundraising, pension fraud and illegal agency for rights protection, and invited experts in the field to explain typical cases for consumers online, in a bid to help consumers develop risk prevention awareness and a proper wealth management mindset.

"Wider coverage": protecting information and safeguarding the bottom line that no systemic risks should occur

The Bank constantly improved its management mechanism for personal consumer information protection, issued the *Guidelines on Impact Assessment of Personal Consumer Information Protection (Trial)*, prepared the assessment form and impact assessment report template, and clarified and refined the content of the impact assessment of personal consumer information, ways to conduct assessment, division of responsibilities, implementation process and other working requirements. It incorporated the requirements of personal consumer information protection into specific business scenarios, and continually improved the content of consumer agreements, letters of authorisation, and contracts. It regularly implemented special self-examination and rectification for personal consumer information protection. Focusing on key links including policy development, technological protection, systematic management and control, employee behaviour management, and cooperative organisation management, it carried out risk examinations in an all-around manner and implemented rectifying measures to protect consumers' information security. The Bank regularly revised its rules and policies on personal information protection, and strengthened policy compliance publicity and guidance, case studies, risk alert and warning education for employees via risk alerts, special training, and information exchange. There were more than 300,000 participations in personal consumer information protection training throughout the Bank in 2023.

For more details regarding the Bank's consumer protection activities, please refer to the *Corporate Social Responsibility Report of Bank of China for 2023 (Environmental, Social and Governance)*.

Members of the Board of Directors

Executive Directors: GE Haijiao, LIU Jin, LIN Jingzhen

Non-executive Directors: ZHANG Yong, ZHANG Jiangang, HUANG Binghua, LIU Hui, SHI Yongyan

Independent Directors: Martin Cheung Kong LIAO, CHUI Sai Peng Jose, Jean-Louis EKRA, E Weinan, Giovanni TRIA, LIU Xiaolei

The Board of Directors
28 March 2024

Report of the Board of Supervisors

Meetings of the Board of Supervisors

In 2023, the Bank held four on-site meetings of the Board of Supervisors on 30 March, 28 April, 30 August, and 30 October respectively, as well as one meeting via written resolution. At these meetings, the Board of Supervisors reviewed and approved 40 proposals, including proposals regarding the Bank's four regular reports; the 2022 profit distribution plan; the 2022 corporate social responsibility report (environmental, social and governance); the 2022 internal control assessment report; the 2022 work report of the Board of Supervisors; the evaluation opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, the Senior Management, and their members for 2022; the performance evaluation results for the Chairwoman of the Board of Supervisors for 2022; the remuneration distribution plan for the Chairwoman of the Board of Supervisors in 2022; the implementation plan on performance evaluation for the Chairwoman of the Board of Supervisors in 2023; the results of the performance evaluation and remuneration distribution plan for external supervisors; the implementation plan for the performance evaluation of external supervisors in 2023; the revision of the rules of procedure of the Board of Supervisors; the revision of the working rules of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors; the revision of the working rules of the Finance and Internal Control Supervision Committee of the Board of Supervisors; the revision of the implementation measures of the Board of Supervisors for financial and risk-based internal control supervision; and the revision of measures for performance evaluation of external supervisors. In addition, the Board of Supervisors issued supervision and evaluation opinions regarding the Bank's performance in strategy implementation in 2022, as well as the Bank's reputational risk management, information disclosure management, capital management and management of advanced approaches for capital measurement, liquidity risk management, internal audit, consolidated management, stress test management, data governance, internal control, case prevention, compliance management, anti-money laundering (AML) management, expected credit loss (ECL) approach management, remuneration management, off-balance sheet business management, employee behaviour management, product management, consumer protection, market risk management, and comprehensive risk management.

In 2023, the attendance of each supervisor at the meetings of the Board of Supervisors is given below:

Supervisors	Number of meetings attended in person/ Number of meetings convened during term of office
Incumbent Supervisors	
WEI Hanguang	5/5
ZHOU Hehua	4/5
JIA Xiangsen	5/5
HUI Ping	5/5
CHU Yiyun	5/5
Former Supervisors	
LENG Jie	0/0
ZHANG Keqiu	5/5

Note: Supervisor Mr. ZHOU Hehua didn't attend the meeting of the Board of Supervisors held on 30 October 2023 in person due to other business arrangements.

In 2023, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held four on-site meetings and two meetings via written resolutions, at which it previewed proposals regarding the evaluation opinions of the Board of Supervisors on the duty performance and due diligence of the Board of Directors, the Senior Management, and their members for 2022; the performance evaluation results for the Chairwoman of the Board of Supervisors for 2022; the implementation plan on performance evaluation for the Chairwoman of the Board of Supervisors in 2023; the performance evaluation results and remuneration distribution plan for external supervisors; the implementation plan for performance evaluation of external supervisors in 2023; the revision of the working rules of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors; and the revision of measures for performance evaluation of external supervisors.

In 2023, the Finance and Internal Control Supervision Committee of the Board of Supervisors held four on-site meetings and one meeting via written resolution, at which it previewed proposals regarding the Bank's four regular reports, the 2022 profit distribution plan, the 2022 corporate social responsibility report (environmental, social and governance), the 2022 internal control assessment report, the evaluation opinions of the Board of Supervisors on the Bank's performance in strategy implementation in 2022, the revision of the working rules of the Finance and Internal Control Supervision Committee of the Board of Supervisors, and the revision of the implementation measures of the Board of Supervisors for financial and risk-based internal control supervision.

Performance of Supervision and Inspection by the Board of Supervisors

In 2023, in accordance with relevant laws and regulations, regulatory requirements, and the Articles of Association of the Bank, the Board of Supervisors earnestly performed its supervisory duties, continuously enhanced the quality and efficiency of its supervision in the fields of strategy, duty performance, finance, risk, and internal control, and continued to play a constructive supervisory role in the Bank's corporate governance, thus contributing to the Bank's high-quality development.

Strongly emphasised the implementation of major national decisions and plans in its supervisory work. Special attention was paid to how the Bank served the real economy. The Board of Supervisors focused on supplying financial resources to key areas such as scientific and technological innovation, advanced manufacturing, green development, and micro, small, and medium-sized enterprises, in order to assist the implementation of national strategies including coordinated regional development and the expansion of domestic demand. The Bank also undertook initiatives to efficiently develop technology finance, green finance, inclusive finance, pension finance, and digital finance, improving its mechanism for supporting the implementation of major national decisions and plans and pinpointing areas in which the implementation of such plans align with the Bank's own high-quality development. Special attention was paid to how the Bank's services can assist China's high-level opening up. The Board of Supervisors recommended that the Bank give full play to its strengths, enhance its global competitiveness and influence, and better serve China's new development pattern of "dual circulation". Special attention was paid to how effectively the Bank prevented and resolved risks. The Board of

Supervisors prompted the Bank to uphold "risk bottom-line" thinking, continuously improve the effectiveness of comprehensive risk management, and steadfastly safeguard the safety of assets across the Bank. Based on the information obtained, the Board of Supervisors voiced supervisory opinions on various aspects of work carried out throughout the year.

Earnestly fulfilled strategy supervision duties. Special attention was paid to the implementation progress of the development plan for the 14th Five-Year Plan period. The Board of Supervisors attended working meetings across the entire Bank as well as meetings of the Board of Directors and the Strategic Development Committee, regularly prompted discussions about strategy implementation and heard relevant reports, and closely tracked the step-by-step fulfilment of quantitative indicators and the implementation of the Bank's key quantitative tasks, such as enhancing the market competitiveness of branches in key regions and cities of China, refining the management of market-by-market strategies for overseas institutions, and expediting the building of an enterprise-level architecture. It issued supervisory evaluation opinions and reminded the Bank to pursue a problem-oriented approach and intensify process management of plan implementation. The Board of Supervisors pressed ahead with the interim re-inspection of the development plan, with a focus on assessing its alignment with the guiding principles of the Central Financial Work Conference and the Bank's working requirements of high-quality development. It compiled four quarterly supervision reports on strategy implementation, and recommended that the Bank maintain strategic focus, optimise working tactics in light of actual conditions, scientifically review the quantitative indicators outlined in the development plan, and supplement or refine the key tasks set out in the development plan. Through strategic supervision, it encouraged the Board of Directors, the Senior Management and relevant departments to continuously improve the effectiveness of strategy implementation.

Standardised supervision and evaluation of duty performance. To supervise day-to-day duty performance, the Board of Supervisors attended shareholders' meetings and meetings of the Board of Directors, relevant special committees, and the Senior Management, and kept informed of and oversaw the performance of the Board of Directors, the Senior Management and their members in complying with laws and regulations, acting on national decisions and plans, implementing regulatory requirements, executing resolutions reached at the shareholders' meetings and the meetings of the Board of Directors, refining the corporate governance mechanism, and improving operation and management conditions, etc. It drafted four quarterly supervision reports on the performance of the Board of Directors and the Senior Management, along with accompanying supervisory opinions. To enhance annual evaluations of duty performance, the Board of Supervisors conducted group interviews with non-executive directors, and organized written interviews with executive directors, independent non-executive directors, and senior management members. Through these efforts, along with supervision of their routine duty performance, the Board of Supervisors issued 23 annual evaluation opinions on the duty performance of the Board of Directors, the Senior Management and their members, and reported them to the shareholders' meetings and regulatory authorities as required, as well as providing written feedback to directors and senior management members. These duty performance supervision and evaluation activities prompted directors and senior management members to perform their duties diligently and efficiently.

Carried out thorough financial supervision by reviewing regular reports. The Board of Supervisors oversaw deliberations regarding the Bank's regular reports in accordance with the law and regulations. It received quarterly reports on operating results, oversaw preparation and review procedures for regular reports, ensured that regular reports truly, accurately, and completely reflected the operation and management of the Bank, organised for all supervisors to sign written confirmation opinions, and supervised the compliance and reasonableness of the profit distribution plan, issuing its deliberative opinions accordingly. The Board of Supervisors strengthened supervision of significant financial activities as well as the decision-making and implementation of financial matters. It participated in meetings in which business conditions were analysed, attended meetings of the Financial Approval Committee, and completed four quarterly supervision reports regarding the Bank's financial conditions. With a focus on performance evaluation management, these reports recommended more precise distribution of financial resources and more robust support and guidance for the implementation of performance evaluation plans by institutions at all levels. With special attention paid to the building of a long-acting financial compliance mechanism, the Board of Supervisors suggested improving the mechanism for reviewing financial expenditures and strengthening related post-evaluation management. Particular attention was also paid to preparations for the implementation of new regulations on capital management, the Board of Supervisors suggested accelerating work progress to ensure timely compliance with the new regulations. This financial supervision work encouraged the Senior Management and relevant departments to continuously improve the effectiveness of financial management.

Continually strengthened supervision of risk management and internal control. Focused on carrying out routine risk and internal control supervision in key areas, the Board of Supervisors attended the meetings of the Board of Directors and its Risk Policy Committee as well as the Senior Management and its Risk Management and Internal Control Committee, heard relevant reports, and completed four quarterly reports on risk and internal control. These reports focused on risk management in key areas, prompted the effective prevention and resolution of real estate and local government debt risks, and encouraged more forward-looking risk management by controlling market risk, interest rate risk, exchange rate risk and liquidity risk. Attention was also paid to non-traditional risk management, the Board of Supervisors suggested improving the workplace safety management mechanism, consolidating the foundations of IT management, and properly protecting the rights and interests of consumers. Special attention was paid to internal control and compliance management, the Board of Supervisors recommended reinforcing internal control over important positions, key businesses, and primary-level institutions. The Board of Supervisors also urged the proper implementation of new regulations such as the ECL approach and the risk management of off-balance-sheet businesses. In strengthening the supervision of how risks arising from cross-border and cross-sector operations are managed, the Board of Supervisors proactively forecast and explored challenges posed by changes in the global economic and financial landscape to the Bank's globalised and integrated operations, analysed potential risks in a timely manner, and suggested strengthening the building of an integrated risk management mechanism that covers local and foreign currencies, domestic and overseas operations, and on- and off-balance-sheet businesses, reinforcing the monitoring and screening of major risks, enhancing the effectiveness of stress tests, and fostering emergency resilience. Through risk and internal control supervision, it urged the Senior Management and relevant departments to continuously improve the effectiveness of the Bank's comprehensive risk management.

Conducted key supervision and research supervision through a problem-oriented approach. The Board of Supervisors continued to closely combine key supervision with routine supervision in proactive alignment with overall national conditions, including focusing on key areas related to the high-quality development of the Bank and the main duties and responsibilities of the Board of Supervisors. It conducted five key supervision projects: namely, supporting the national plan for domestic demand expansion, consolidating the advantages of the Bank's globalised operations to serve China's high-level opening up, strengthening the supervision of financial and accounting affairs, enhancing credit management effectiveness, and managing financial market risks, and completed five key supervision reports which achieved good supervisory results. The Board of Supervisors paid six supervisory visits to domestic branches/institutions of the Bank, extensively asking for advice, figuring out demands, and enquiring actual results at the primary level. While identifying problems at the Head Office level through a bottom-up approach, the Board of Supervisors helped the Bank optimise decision-making process, refine policies, and promote its work effectively. Meanwhile, it extracted useful experiences and good practices from research activities to institutionalise and standardise the research work.

Enhanced safeguarding of the supervision mechanism. The Board of Supervisors expanded its supervisory information sources, improved its attendance and contributions to meetings, ensured it had access to comprehensive and timely information regarding the Bank's overall operations, and uncovered fundamental and routine issues that formed the basis of its supervisory opinions. The Board of Supervisors and its special committees refined their operations to enhance the quality and efficiency of their deliberations and decision-making in meetings. The Board of Supervisors followed up on its supervisory opinions by tracking implementation according to category. It pushed forward the effective application of supervisory results, deepened supervisory cooperation with various parties, and strengthened the guidance for internal audits and supervision for external audits.

Strengthened the development of the Board of Supervisors. The Board of Supervisors improved its policy system and revised its rules and policies, such as the *Rules of Procedure of the Board of Supervisors*, further refining the supervisory responsibilities of the Board of Supervisors and its special committees. It boosted the professional competence of supervisors and organised themed training sessions, so as to ensure that supervisory efforts closely followed regulatory requirements and new changes in prevailing conditions. Meanwhile, it strengthened the support, incentives and constraints for supervisors to perform their duties, improved key information reporting mechanisms for the Board of Supervisors and supervisors, and conducted annual performance evaluation of the Board of Supervisors and supervisors. All supervisors performed their supervision duties faithfully and diligently, played to their own strengths, and made efforts to improve their policy awareness and duty performance capability. In addition, they actively participated in meetings, carefully deliberated on proposals, listened to work reports, carried out key supervision, and provided professional, well-considered, and unbiased suggestions, conscientiously fulfilling their supervisory function.

Over the past year, the Board of Supervisors put forward more than 200 supervisory recommendations in various forms, such as supervisory proposal letters, supervisory evaluation comments, and supervisory reports, etc. The Board of Directors strongly supported and responded positively to the work of the Board of Supervisors, and requested the Senior Management to instruct relevant departments to earnestly study and implement the supervisory recommendations of the Board of Supervisors. The Senior Management attached great importance to the work of the Board of Supervisors and worked to cooperate by supervising relevant departments to put forward improvement measures and implement them in conjunction with their daily work, and to provide regular feedback to the Board of Supervisors on rectification progress. The work of the Board of Supervisors has played an active and effective role in helping the Bank strengthen its strategy implementation, improve operation and management activities, and prevent and mitigate risks.

During the reporting period, the Board of Supervisors held no objection to such matters under its supervision regarding the Bank's operational and legal compliance, financial position, use of raised funds, purchase and sale of assets, connected transactions, internal control, and corporate information disclosure.

Working Performance of the External Supervisors

During the reporting period, Mr. JIA Xiangsen, Mr. HUI Ping and Mr. CHU Yiyun, the external supervisors of the Bank, performed their supervisory duties in strict accordance with the provisions of the Articles of Association of the Bank. They personally attended all meetings of the Board of Supervisors and its special committees during their terms of office, and participated in the research and decision-making of the significant affairs of the Board of Supervisors. They were present at shareholders' meetings and attended the meetings of the Board of Directors, the Strategic Development Committee, Corporate Culture and Consumer Protection Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee, and Connected Transactions Control Committee. They led the key supervision projects of the Board of Supervisors, provided advice and suggestions based on their experience and expertise, and contributed to the effective performance of supervisory duties by the Board of Supervisors.

The Board of Supervisors
28 March 2024

Significant Events

Material Litigation and Arbitration

The Bank was involved in certain litigation and arbitration cases in the regular course of its business. Given the range and scale of its international presence, the Bank may be involved in a variety of litigation, arbitration and judicial proceedings within different jurisdictions in the course of its regular business operations in different countries and regions across the world, and the ultimate outcomes of these proceedings involve various levels of uncertainty. Based upon the opinions of internal and external legal counsels, the Senior Management of the Bank believes that, at the current stage, these matters will not have a material impact on the financial position or operating results of the Bank. Should the ultimate outcomes of these matters differ from the initially estimated amounts, such differences will impact the profit or loss in the period during which such a determination is made.

Purchase and Sale of Material Assets

During the reporting period, the Bank did not undertake any purchase and sale of material assets.

Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

The Bank approved a long-term incentive policy, including the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan, at the Board meeting and the extraordinary shareholders' meeting held in November 2005. To date, the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan have not been implemented.

Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note V.43 of the Consolidated Financial Statements.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not take, or allow to subsist any significant custody of, sub-contract or lease assets from other companies, or allow its material business assets to be subject to such arrangements, in each case that is required to be disclosed.

Material Guarantee Business

As approved by the PBOC and the NFRA, the Bank's guarantee business is an off-balance sheet item in the ordinary course of its business. The Bank operates its guarantee business in a prudent manner and has formulated specific management measures, operational processes and approval procedures in respect of the risks of guarantee business and carries out this business accordingly. During the reporting period, save as disclosed above, the Bank did not enter into or allow to subsist any material guarantee business that is required to be disclosed.

The Bank's guarantee business principally comprises letters of guarantee. For details of the outstanding amount of letters of guarantee issued by the Bank as at 31 December 2023, please refer to Note V.41.7 of the Consolidated Financial Statements.

During the reporting period, there was no violation of laws, administrative regulations or rules of the CSRC in the Bank's guarantee business.

Other Major Contracts

During the reporting period, the Bank did not enter into or allow to subsist any other major contract that is required to be disclosed.

Misappropriation of Funds by Controlling Shareholder and Other Related Parties

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes.

Undertakings

Huijin made a "non-competing commitment" when the Bank launched its IPO. As at 31 December 2023, Huijin has strictly observed and has not breached such undertaking.

Disciplinary Actions Imposed on the Bank, its Directors, Supervisors, Senior Management Members and Controlling Shareholder

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or controlling shareholder was subject to compulsory measures due to alleged crimes, subject to criminal punishment, investigated by CSRC due to potential violation of laws and regulations or subject to administrative punishment by CSRC, or had material administrative punishment imposed on them by other competent authorities. None of the directors, supervisors, senior management members or controlling shareholder was detained by disciplinary inspection and supervision authorities due to any potential material breach of laws, disciplinary regulations or duty crimes, nor did any such matter affect their duty performance. None of the directors, supervisors or senior management members was subject to compulsory measures by other competent authorities due to potential violation of laws and regulations, nor did any such matter affect their duty performance.

Integrity of the Bank and its Controlling Shareholder

During the reporting period, neither the Bank nor its controlling shareholder failed to perform any obligations from effective legal instruments of the court or pay off any due debt in large amount.

Information on Environmental, Social and Governance Performance

For details of the Bank's environmental, social and governance performance, please refer to the Bank's *2023 Corporate Social Responsibility Report (Environmental, Social and Governance)* published on the websites of the SSE, the HKEX and the Bank.

Other Significant Events

For announcements regarding other significant events during the reporting period made in accordance with regulatory requirements, please refer to the websites of the SSE, the HKEX and the Bank.

Independent Auditor's Report

To the Shareholders of Bank of China Limited
(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Bank of China Limited (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 214 to 438, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Opinion (Continued)

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit loss ("ECL") for loans and advances to customers

- Valuation of financial investments measured at fair value

- Consolidation of structured entities

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans and advances to customers

Refer to Note II 4.6, Note III 1, Note V 9, 17, 24 and Note VI 2.3 of the consolidated financial statements.

As at 31 December 2023, the carrying amount of loans and advances to customers in the Group's consolidated statement of financial position was RMB19,476,871 million. Of these balances, the loans and advances to customers measured at amortised cost of RMB19,189,211 million and loans and advances to customers measured at fair value through other comprehensive income of RMB715,101 million, together with accrued interest were subject to ECL measurement, and an impairment allowance of RMB485,298 million was recognised by management as at 31 December 2023. The impairment losses on loans and advances to customers recognised in the Group's consolidated income statement for the year ended 31 December 2023 amounted to RMB106,114 million.

The Group assessed whether the credit risk of loans and advances to customers had increased significantly since their initial recognition, and applied a three-stage impairment model approach to calculate the ECL. For loans and advances to customers that are classified as stage 1 or stage 2, and those classified as stage 3 (impaired) with individual amount that are relatively insignificant, the Group assessed the ECL using the risk parameter modelling approach that incorporated relevant key risk parameters, including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For loans and advances to customers classified as stage 3 with individual amount that are relatively significant, the Group assessed ECL for each loan by estimating the future cash flows from the loans.

We understood and evaluated management's internal controls and assessment process for the measurement of ECL for loans and advances to customers. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the complexity of estimation models used, the subjectivity of significant management judgements and assumptions, and susceptibility to management bias.

We evaluated and tested the design and operating effectiveness of the internal controls over the measurement of ECL for loans and advances to customers. These included periodic assessment and approval controls, which primarily include:

(1) internal controls over the ECL model management, including continuous monitoring of the selection of modelling methodologies, model optimisation, approval and application of changes in key parameters, and model back-testing;

(2) internal controls over significant management judgements and assumptions, including portfolio segmentation, parameter estimation, determination and application of criteria to identify significant increases in credit risk, default and credit-impaired assets, as well as economic indicators, economic scenarios and weightings used in forward-looking measurement;

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans and advances to customers (Continued)

The measurement of ECL for loans and advances to customers involves significant management judgements and estimations, mainly on:

(1) Segmentation of portfolios based on credit risk characteristics, selection of appropriate models and assumptions;

(2) Determination and application of criteria to identify significant increase in credit risks and default or credit-impaired assets;

(3) Economic indicators, economic scenarios and weightings used in the forward-looking measurement;

(4) Estimation of future cash flows for stage 3 loans and advances to customers with individual amount that are relatively significant.

We have identified the measurement of ECL for loans and advances to customers as a key audit matter due to the material balance of the Group's loss allowances for loans and advances to customers and high inherent risk given the uncertainty of estimates, adoption of complex models, involvement of significant management judgements and assumptions and use of numerous parameters and data inputs in such measurement.

(3) internal controls over the estimated future cash flows and calculation of present value with respect to loans and advances to customers classified as stage 3 with individual amount that are relatively significant;

(4) internal controls over the accuracy and completeness of key data used by the models;

(5) internal controls over the information technology systems for ECL measurement, including information technology general controls, data interfaces, application of model parameters and automated IT controls over impairment calculations.

We involved our credit risk experts in evaluating the model methodologies, significant judgements and assumptions, data and key parameters used in the ECL measurement for loans and advances to customers. The substantive audit procedures performed by us were mainly as follows:

(1) we assessed the appropriateness of portfolio segmentation and the models adopted for the measurement of ECL in respect of different portfolios with consideration given to the risk characteristics of loans and advances to customers, the Group's risk management practices and industry practices. We selected samples of ECL calculations and examined whether the models' calculation engines are consistent with the Group's methodologies.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans and advances to customers (Continued)

(2) we examined the accuracy and completeness of historical and measurement date data used in the ECL models on a sample basis, including:

(i) in respect of PD: financial and non-financial information for determining borrowers' credit rating, overdue repayment status, etc.;

(ii) in respect of LGD: types of guarantees and collateral, historical actual loss rates, etc.;

(iii) in respect of EAD: borrowers' outstanding loan balances, interest rates, maturity dates, repayment methods, etc. by agreeing them to loan contracts and other relevant documents. We also agreed the total credit risk exposure in the ECL models to data from other information systems.

(3) in respect of PD and LGD, we assessed the reasonableness of the parameters by comparing the historical expected default and loss given default with the subsequent actual default and loss given default for significant exposures through independent back-testing.

(4) we selected samples and assessed the appropriateness of management's staging classifications and judgements used in determining significant increases in credit risk and identification of default or credit-impaired assets based on the borrower's financial and non-financial information and other external evidence provided by management. We took into consideration the credit risk profile of borrowers and the Group's risk management practices in such assessment.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit loss ("ECL") for loans and advances to customers (Continued)

(5) for forward-looking measurements, we evaluated management's selection methodology for economic indicators, economic scenarios and weightings assigned based on statistical analysis and expert judgements. We assessed the reasonableness of the forecasted economic indicators by performing back-testing and comparing with publicly available forecasts from third-party institutions. We performed sensitivity analysis on the economic indicators and weightings under different economic scenarios.

(6) for individual loans and advances to customers classified as stage 3 which were relatively significant, we examined on a sample basis, the forecasted cash flows prepared by management based on the financial information of borrowers and guarantors, latest collateral valuations and other available information as well as various possible future factors together with discount rates used to support the computation of loss allowances.

We checked and evaluated the appropriateness of the financial statement disclosures in relation to the measurement of ECL in the context of applicable accounting framework.

Based on procedures performed, we considered that the models, significant judgements and assumptions, as well as relevant data and parameters used by management in measuring ECL for loans and advances to customers were supported by the available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Valuation of financial investments measured at fair value

Refer to Note II 4.4, Note III 2, Note V 18 and Note VI 5.1 of the consolidated financial statements.

As at 31 December 2023, financial investments measured at fair value through profit or loss and financial investments measured at fair value through other comprehensive income of the Group were RMB550,421 million and RMB3,248,113 million respectively, representing 11.71% of total assets. Of these financial investments measured at fair value, (1) financial investments classified as Level 1 fair value, measured using quoted prices (unadjusted) in active markets accounted for 9.44%; (2) financial investments classified as Level 2 fair value, measured using valuation techniques for which inputs are observable for the financial investments, accounted for 85.99%; (3) financial investments classified as Level 3 fair value, measured using valuation techniques using unobservable inputs that have a significant impact on the valuation accounted for 4.57%. Level 3 financial investments mainly include unlisted equity and fund investments held by the Group.

We have identified this as a key audit matter due to the material balance of the financial investments measured at fair value and significant management judgements and assumptions are required, including selection and determination of unobservable inputs, in valuing the financial investments classified as Level 3.

We understood and evaluated management's internal controls and assessment process over the valuation of financial investments measured at fair value. We assessed the inherent risk of material misstatement by considering the inherent risk factors of the different fair value levels such as the degree of estimation uncertainty, the complexity of valuation techniques and models, the subjectivity of management's judgements and assumptions in selecting valuation techniques, models and inputs and susceptibility to management bias.

We evaluated and tested the design and operating effectiveness of the internal controls over the valuation of financial investments measured at fair value. These included controls over model validation and approval, review and approval of valuation results, as well as the information technology general controls of related systems, systems interfaces of inputs such as market data and automated calculations within the valuation systems.

We performed the following substantive procedures over the valuation of financial investments measured at fair value, on a sample basis:

(1) for Level 1 financial investments, we tested their valuations by comparing to quoted prices in active markets.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Valuation of financial investments measured at fair value (Continued)

(2) for Level 2 and Level 3 financial investments:

(i) we assessed the appropriateness of the Group's valuation models and benchmarked against common market models, taking into consideration the product characteristics and industry practice;

(ii) we compared the valuation of Level 2 financial investments to quotations available from independent sources; as well as tested observable inputs used in valuation models;

(iii) for unobservable inputs used for the valuation of Level 3 financial investments, we obtained an understanding of management's methodology for the selection of inputs such as discount rates, expected dividend, price/earnings multiples, net asset value of unlisted investments and recent transaction prices, etc.; and assessed the reasonableness and appropriateness of such inputs by examining supporting information and comparing to alternatives in the market with the involvement of our internal valuation experts. We also performed sensitivity analysis on the unobservable inputs;

(iv) we engaged internal valuation experts to perform independent valuation testing.

We checked and evaluated the appropriateness of the financial statement disclosures in relation to the fair value of financial investments in the context of applicable accounting framework.

Based on the procedures performed, we considered that the valuation models, significant judgements and assumptions as well as relevant data used by management in the valuation of financial investments measured at fair value were supported by available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
Refer to Note II 2.1, Note III 6 and Note V 46 of the consolidated financial statements. The Group is principally involved with structured entities through sponsoring and managing, and/or investing in wealth management products, asset securitisation products, funds, investment trust plans and asset management plans. As at 31 December 2023, the Group's interests in unconsolidated structured entities mainly included (1) the net asset value of wealth management products and funds/asset management plans where the Group sponsored and managed amounted to RMB1,631,063 million and RMB778,109 million, respectively; (2) the carrying amounts of interest in structured entities held by the Group through direct investments in fund investments, investment trusts and asset management plans, and asset-backed securitisations sponsored by other financial institutions outside the Group were RMB83,527 million, RMB22,917 million, and RMB125,595 million, respectively. The Group determines whether to consolidate structured entities based on management's assessment of the Group's control over the structured entities, taking into consideration its power over the structured entities, its exposure or rights to variable returns from its involvement with the structured entities, and its ability to use its power to affect the amount of returns from the structured entities. We have identified this as a key audit matter due to the material amount of structured entities and significant judgements were involved in assessing the Group's control over the structured entities.	We evaluated and tested the design and operating effectiveness of the internal controls over the Group's consolidation of structured entities. These included controls over management's assessment of the transaction structures and contractual terms, calculations of variable returns, as well as review and approval of the consolidation assessments. We performed the following substantive procedures on a sample basis: (1) we inspected the contractual terms of structured entities, understood the purpose of establishment, examined the transaction structure and identified the decision-making mechanism of related activities to assess the rights and obligations of the Group and other investors, as well as the Group's power over the structured entities; (2) we examined the arrangements for investment income, fee income, assets management fees and retained residual income from the structured entities based on the contractual terms including whether liquidity support or other arrangements were provided by the Group to the structured entities; and performed independent analysis and testing to assess the Group's exposure or rights to variable returns from its involvement in related activities with the structured entities;

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities (Continued)	(3) we analysed the extent of the Group's decision-making power, the level of returns and the risk of variable returns due to holding other interests in the structured entities to assess whether the Group has the ability to use their power to influence the amount of returns from the structured entities. We also analysed the substantive rights held by other investors to assess whether the Group acted as a principal or an agent in structured entities related transactions. We checked and assessed the appropriateness of the financial statement disclosures in relation to the consolidation of structured entities in the context of applicable accounting framework. Based on the procedures performed, we considered that management's judgements on the consolidation of structured entities were supported by the available evidence.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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.

- 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Shuk Ching, Margarita.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

Consolidated Financial Statements

CONTENTS

CONTENTS (Continued)

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Interest income	V.1	1,048,851	880,848
Interest expense	V.1	(582,306)	(421,582)
Net interest income		**466,545**	**459,266**
Fee and commission income	V.2	92,369	87,102
Fee and commission expense	V.2	(13,504)	(12,212)
Net fee and commission income		**78,865**	**74,890**
Net trading gains	V.3	28,723	7,221
Net gains on transfers of financial asset	V.4	806	2,083
Other operating income	V.5	49,199	43,001
Operating income		**624,138**	**586,461**
Operating expenses	V.6	(222,933)	(199,506)
Credit impairment losses	V.9	(106,494)	(97,993)
Impairment losses on other assets		(68)	(5,966)
Operating profit		**294,643**	**282,996**
Share of results of associates and joint ventures	V.19	965	645
Profit before income tax		**295,608**	**283,641**
Income tax expense	V.10	(49,237)	(46,916)
Profit for the year		**246,371**	**236,725**
Attributable to:			
Equity holders of the Bank		231,904	226,522
Non-controlling interests		14,467	10,203
		246,371	**236,725**
Earnings per share (in RMB)	V.11		
— Basic		0.74	0.72
— Diluted		0.74	0.72

For details of the dividends paid or proposed, please refer to Note V.39.3.

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

BANK OF CHINA LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Profit for the year		**246,371**	**236,725**
Other comprehensive income:	V.12		
Items that will not be reclassified to profit or loss			
— Actuarial gains on defined benefit plans		31	68
— Changes in fair value on equity instruments designated at fair value through other comprehensive income		4,348	2,106
— Other		(2)	9
Subtotal		4,377	2,183
Items that may be reclassified to profit or loss			
— Changes in fair value on debt instruments measured at fair value through other comprehensive income		20,243	(28,976)
— Allowance for credit losses on debt instruments measured at fair value through other comprehensive income		1,501	(375)
— Finance (expenses)/income from insurance contracts issued		(4,096)	3,278
— Exchange differences from the translation of foreign operations		7,007	32,951
— Other		(39)	681
Subtotal		24,616	7,559
Other comprehensive income for the year, net of tax		**28,993**	**9,742**
Total comprehensive income for the year		**275,364**	**246,467**
Total comprehensive income attributable to:			
Equity holders of the Bank		259,160	229,025
Non-controlling interests		16,204	17,442
		275,364	**246,467**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	As at 31 December 2023	As at 31 December 2022 (Restated)
ASSETS			
Cash and due from banks and other financial institutions	V.13	568,855	815,063
Balances with central banks	V.14	2,941,140	2,313,859
Placements with and loans to banks and other financial institutions	V.15	1,233,888	1,174,097
Government certificates of indebtedness for bank notes issued	V.27	203,176	196,497
Precious metals		96,968	130,215
Derivative financial assets	V.16	146,750	152,033
Loans and advances to customers, net	V.17	19,476,871	17,116,005
Financial investments	V.18	7,158,717	6,435,244
— financial assets at fair value through profit or loss		550,421	613,105
— financial assets at fair value through other comprehensive income		3,248,113	2,500,216
— financial assets at amortised cost		3,360,183	3,321,923
Investments in associates and joint ventures	V.19	39,550	38,304
Property and equipment	V.20	227,135	226,776
Construction in process	V.21	20,346	19,613
Investment properties	V.22	22,704	23,311
Deferred income tax assets	V.36	75,156	71,139
Other assets	V.23	220,910	181,392
Total assets		**32,432,166**	**28,893,548**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2023 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	As at 31 December 2023	As at 31 December 2022 (Restated)
LIABILITIES			
Due to banks and other financial institutions	V.25	2,245,362	2,240,323
Due to central banks	V.26	1,235,320	915,858
Bank notes in circulation	V.27	203,249	196,903
Placements from banks and other financial institutions	V.28	474,977	466,335
Financial liabilities held for trading	V.29	54,264	53,868
Derivative financial liabilities	V.16	135,973	135,838
Due to customers	V.30	22,907,050	20,201,825
Bonds issued	V.31	1,802,446	1,540,935
Other borrowings	V.32	36,176	24,905
Current tax liabilities	V.33	59,303	58,957
Retirement benefit obligations	V.34	1,676	1,842
Deferred income tax liabilities	V.36	7,397	6,804
Other liabilities	V.37	512,158	485,854
Total liabilities		**29,675,351**	**26,330,247**
EQUITY			
Capital and reserves attributable to equity holders of the Bank			
Share capital	V.38.1	294,388	294,388
Other equity instruments	V.38.3	399,505	369,505
— Preference shares		119,550	119,550
— Perpetual bonds		279,955	249,955
Capital reserve	V.38.2	135,736	135,759
Other comprehensive income	V.12	34,719	5,505
Statutory reserves	V.39.1	256,729	235,362
General and regulatory reserves	V.39.2	379,285	337,465
Undistributed profits	V.39	1,129,148	1,045,989
		2,629,510	**2,423,973**
Non-controlling interests	V.40	**127,305**	**139,328**
Total equity		**2,756,815**	**2,563,301**
Total equity and liabilities		**32,432,166**	**28,893,548**

Approved and authorised for issue by the Board of Directors on 28 March 2024.

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

GE Haijiao	**LIU Jin**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023 (Amounts in millions of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank									
			Other equity instruments								
	Note	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	Total
As at 1 January 2023		294,388	119,550	249,955	135,759	5,505	235,362	337,465	1,045,989	139,328	2,563,301
Total comprehensive income	V.12	–	–	–	–	27,256	–	–	231,904	16,204	275,364
Appropriation to statutory reserves	V.39.1	–	–	–	–	–	21,529	–	(21,529)	–	–
Appropriation to general and regulatory reserves	V.39.2	–	–	–	–	–	–	41,820	(41,820)	–	–
Dividends	V.39.3	–	–	–	–	–	–	–	(83,594)	(7,288)	(90,882)
Capital contribution and reduction by non-controlling shareholders		–	–	–	(38)	–	–	–	–	(20,938)	(20,976)
Capital contribution by other equity instruments holders	V.38.3	–	–	30,000	(2)	–	–	–	–	–	29,998
Other comprehensive income transferred to retained earnings		–	–	–	–	(110)	–	–	110	–	–
Other		–	–	–	17	2,068	(162)	–	(1,912)	(1)	10
As at 31 December 2023		294,388	119,550	279,955	135,736	34,719	256,729	379,285	1,129,148	127,305	2,756,815

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2023 (Amounts in millions of Renminbi, unless otherwise stated)

		Attributable to equity holders of the Bank									
			Other equity instruments								
	Note	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	Total
As at 31 December 2021		294,388	119,550	199,955	135,717	1,417	213,930	303,209	956,987	125,400	2,350,553
Impact of accounting policy changes	II.1.3	–	–	–	–	734	–	–	(2,498)	(311)	(2,075)
As at 1 January 2022 (Restated)		294,388	119,550	199,955	135,717	2,151	213,930	303,209	954,489	125,089	2,348,478
Total comprehensive income (Restated)	V.12	–	–	–	–	2,503	–	–	226,522	17,442	246,467
Appropriation to statutory reserves	V.39.1	–	–	–	–	–	21,432	–	(21,432)	–	–
Appropriation to general and regulatory reserves	V.39.2	–	–	–	–	–	–	34,256	(34,256)	–	–
Dividends		–	–	–	–	–	–	–	(78,479)	(5,704)	(84,183)
Capital contribution by non-controlling shareholders		–	–	–	(3)	–	–	–	–	2,501	2,498
Capital contribution by other equity instruments holders		–	–	50,000	(11)	–	–	–	–	–	49,989
Other comprehensive income transferred to retained earnings		–	–	–	–	851	–	–	(851)	–	–
Other		–	–	–	56	–	–	–	(4)	–	52
As at 31 December 2022 (Restated)		294,388	119,550	249,955	135,759	5,505	235,362	337,465	1,045,989	139,328	2,563,301

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Cash flows from operating activities			
Profit before income tax		295,608	283,641
Adjustments:			
Impairment losses on assets		106,562	103,959
Depreciation of property and equipment and right-of-use assets		22,648	22,190
Amortisation of intangible assets and other assets		7,768	6,678
Net gains on disposals of property and equipment, intangible assets and other long-term assets		(1,492)	(876)
Net gains on disposals of investments in subsidiaries, associates and joint ventures		(11)	(561)
Share of results of associates and joint ventures		(965)	(645)
Interest income arising from financial investments		(192,293)	(164,603)
Dividends arising from investment securities		(643)	(729)
Net losses/(gains) on financial investments		481	(505)
Interest expense arising from bonds issued		45,777	44,281
Accreted interest on impaired loans		(946)	(868)
Interest expense arising from lease liabilities		663	684
Net changes in operating assets and liabilities:			
Net increase in balances with central banks		(127,274)	(66,184)
Net decrease/(increase) in due from and placements with and loans to banks and other financial institutions		57,503	(31,193)
Net decrease in precious metals		33,264	146,056
Net increase in loans and advances to customers		(2,461,455)	(1,882,027)
Net increase in other assets		(25,367)	(268,879)
Net increase/(decrease) in due to banks and other financial institutions		3,113	(441,111)
Net increase/(decrease) in due to central banks		317,365	(39,642)
Net increase in placements from banks and other financial institutions		7,123	57,969
Net increase in due to customers		2,662,695	2,019,973
Net increase/(decrease) in other borrowings		11,271	(1,449)
Net increase in other liabilities		113,808	237,857
Cash inflow from operating activities		875,203	24,016
Income tax paid		(58,757)	(45,871)
Net cash inflow/(outflow) from operating activities		**816,446**	**(21,855)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2023 (Amounts in millions of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Cash flows from investing activities			
Proceeds from disposals of property and equipment, intangible assets and other long-term assets		5,553	12,850
Proceeds from disposals of investments in subsidiaries, associates and joint ventures		161	842
Dividends received		1,813	1,603
Interest income received from financial investments		185,033	165,592
Proceeds from disposals/maturities of financial investments		3,631,629	3,554,479
Increase in investments in subsidiaries, associates and joint ventures		(2,005)	(2,717)
Purchase of property and equipment, intangible assets and other long-term assets		(29,148)	(27,738)
Purchase of financial investments		(4,332,464)	(3,716,635)
Net cash outflow from investing activities		**(539,428)**	**(11,724)**
Cash flows from financing activities			
Proceeds from issuance of bonds		1,316,278	1,012,066
Proceeds from issuance of other equity instruments		30,000	50,000
Proceeds from capital contribution by non-controlling shareholders		62	2,473
Repayments of debts issued		(1,077,585)	(896,096)
Cash payments for interest on bonds issued		(29,317)	(27,977)
Dividend payments to ordinary shareholders		(68,298)	(65,060)
Dividend and interest payments to other equity instrument holders		(15,284)	(13,421)
Dividend payments to non-controlling shareholders		(7,288)	(5,701)
Cash payments for redemption of other equity instruments held by non-controlling interests		(21,296)	–
Other cash payments for financing activities		(7,410)	(3,237)
Net cash inflow from financing activities		**119,862**	**53,047**
Effect of exchange rate changes on cash and cash equivalents		28,379	96,367
Net increase in cash and cash equivalents		**425,259**	**115,835**
Cash and cash equivalents at beginning of year		2,091,466	1,975,631
Cash and cash equivalents at end of year	V.42	**2,516,725**	**2,091,466**
Net cash flows from operating activities include:			
Interest received		882,832	737,364
Interest paid		(488,456)	(339,086)

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

I GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

Bank of China Limited (the "Bank"), formerly known as Bank of China, a State-owned joint stock commercial bank, was founded on 5 February 1912. From its formation until 1949, the Bank performed various functions of a central bank, foreign exchange bank and commercial bank specialising in trade finance. After 1949, the Bank was designated as the state-designated specialised foreign exchange and trade bank. Since 1994, the Bank has evolved into a State-owned commercial bank. In this regard, in accordance with the Master Implementation Plan for the Joint Stock Reform approved by the State Council of the PRC, the Bank was converted into a joint stock commercial bank on 26 August 2004 and its name was changed from Bank of China to Bank of China Limited. In 2006, the Bank listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

The Bank is licensed as a financial institution by the National Administration of Financial Regulation (the former "China Banking and Insurance Regulatory Commission", the "NFRA") No. B0003H111000001 and is issued the business license of legal enterprise with unified social credit code No. 911000001000013428 by the State Administration of Industry and Commerce of the PRC. The registered address is No.1, Fuxingmen Nei Dajie, Beijing, China.

The Bank and its subsidiaries (together the "Group") provide a full range of corporate banking, personal banking, treasury operations, investment banking, insurance and other services to its customers in the Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other major international financial centres.

The Bank's principal regulator is the NFRA. The operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions of the Group are subject to the supervision of local regulators.

The parent company is Central Huijin Investment Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC").

These consolidated financial statements have been approved by the Board of Directors on 28 March 2024.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with "International Financial Reporting Standards as issued by the IASB" ("IFRS Accounting Standards"). In addition, the consolidated financial statements comply with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and investment properties are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment allowance is recognised and measured in accordance with the relevant policy.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

1.1 Standards and amendments effective in 2023 relevant to and adopted by the Group

On 1 January 2023, the Group has adopted the following IFRS Accounting Standards and amendments issued by the International Accounting Standards Board ("IASB"), which were mandatorily effective:

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*
IFRS 17 and Amendments	*Insurance Contracts*

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

1 Basis of preparation (Continued)

1.1 Standards and amendments effective in 2023 relevant to and adopted by the Group (Continued)

IAS 1 and IFRS Practice Statement 2 Amendments provide guidance to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. The amendments add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. It introduces a new definition of "accounting estimates". The amendments are designed to clarify distinction between changes in accounting estimates and changes in accounting policies and correction of errors.

Amendments to IAS 12 require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("OECD") international tax reform. The Group has adopted the relief for deferred taxes under the amendments.

IFRS 17 and Amendments Insurance Contracts ("IFRS 17") and its impact are described in Note II.1.3 and Note II.1.4.

The adoption of the other standards and amendments does not have any material impact on the operating results, comprehensive income and financial position of the Group for the year ended 31 December 2023.

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

1 Basis of preparation (Continued)

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

		Effective for annual periods beginning on or after
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 7 and IFRS 7	*Supplier finance arrangements*	1 January 2024
Amendments to IAS 21	*Lack of Exchangeability*	1 January 2025
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

1 Basis of preparation (Continued)

1.2 Standards and amendments that are not yet effective in the current year and have not been adopted before their effective dates by the Group (Continued)

Amendments to IFRS 16 introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following: On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments clarify the characteristics of supplier finance arrangements (SFAs) and require additional disclosure of such arrangements. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.

Amendments to IAS 21 elaborated the definitions of exchangeable, that is when an entity is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, an entity needs to estimate the spot exchange rate to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

Amendments to IFRS 10 and IAS 28 clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

The adoption of the above standards and amendments will have no material impact on the Group and the Bank's financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

1 Basis of preparation (Continued)

1.3 Accounting policy changes

On 1 January 2023, the Group adopted the IFRS 17 Insurance Contracts. The adoption of IFRS 17 has resulted in changes in the Group's accounting policies for the identification of insurance contracts, recognition and measurement of insurance contract liabilities using general measurement model ("GMM"), variable fee approach ("VFA") or premium allocation approach ("PAA"), insurance related revenue, insurance service expenses and insurance finance income or expenses. The specific accounting policies of insurance contacts refer to Note II.13.

Transitions

The property insurance subsidiaries mainly used the full retrospective approach, while the life insurance subsidiaries mainly used the fair value approach. The insurance subsidiaries also reclassified related financial assets by reassessing their business model and re-designated the relevant financial assets to avoid accounting mismatches on initial application date as at 1 January 2023. The Group restated the comparative figures as at 1 January 2022, 31 December 2022 and the year ended 31 December 2022.

1.4 Impact of accounting policy changes

The Group summarises the impact of the implementation of IFRS 17 on the main financial items of comparative period as follows:

	As at 31 December 2022 before adoption of IFRS 17	IFRS 17 implementation impact	As at 31 December 2022 and 1 January 2023 after adoption of IFRS 17
Total assets	28,913,857	(20,309)	28,893,548
Total liabilities	26,346,286	(16,039)	26,330,247
Capital and reserves attributable to equity holders of the Bank	2,427,589	(3,616)	2,423,973
Non-controlling interests	139,982	(654)	139,328

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

1 Basis of preparation (Continued)

1.4 Impact of accounting policy changes (Continued)

The Group summarises the impact of the implementation of IFRS 17 on the main financial items of comparative period as follows (Continued):

	Year ended 31 December 2022 before adoption of IFRS 17	IFRS 17 implementation impact	Year ended 31 December 2022 after adoption of IFRS 17
Operating income	619,139	(32,678)	586,461
Operating expenses and Impairment losses on assets*	(335,189)	31,724	(303,465)
Profit for the year	237,504	(779)	236,725

* Impairment losses on assets includes Credit impairment losses and Impairment losses on other assets.

The Group has applied IFRS 9 from 1 January 2018 onwards. On the initial application of IFRS 17, the Group is allowed to reassess the classification of financial assets under IFRS 9 to reduce the accounting mismatches between financial assets and insurance contract liabilities. The Group reassessed classification of financial assets if they are connected with contracts within scope of IFRS 17 as at 1 January 2023 and restated comparative information from 1 January 2022.

For participating and investment-linked insurance contracts measured by VFA under IFRS 17, the Group reclassifies the supporting debt instruments measured at amortised cost (“AC”) and fair value through other comprehensive income (“FVOCI”) to fair value through profit or loss (“FVTPL”). For those assets supporting insurance contracts measured by GMM, there are also reclassifications of certain debt instruments measured at AC to FVOCI in accordance with IFRS 17. The following table shows the measurement category and carrying amount before and after the adoption of IFRS 17 as at 1 January 2023:

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

1 Basis of preparation (Continued)

1.4 Impact of accounting policy changes (Continued)

Classification as at 31 December 2022 before adoption of IFRS 17	Classification as at 31 December 2022 and 1 January 2023 after adoption of IFRS 17	Carrying amount as at 31 December 2022 before adoption of IFRS 17	Carrying amount as at 31 December 2022 and 1 January 2023 after adoption of IFRS 17
Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	4,120	4,120
Financial assets at amortised cost	Financial assets at fair value through profit or loss	42,494	37,025
Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	40,991	35,961

1.5 Comparative figures

The Group adopted the requirements of IFRS 17 retrospectively with comparatives restated from the transition date, 1 January 2022. The restated notes mainly includes: Note V.5 Other operating income, Note V.6 Operating expenses, Note V.12 Other comprehensive income, Note V.18 Financial investments, Note V.23 Other assets, Note V.37 Other liabilities, and Note V.44 Segment reporting, etc. In addition, certain comparative figures have been adjusted to conform with changes in disclosures in current year.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2 Consolidation

2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If the changes of the relevant facts and circumstances resulting in changes of relevant elements in the definition of control, the Group will re-evaluate whether subsidiaries are controlled.

The Group uses acquisition method of accounting to account for business combinations. Consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group. Consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed 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 interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable 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 net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement. Goodwill is tested for impairment annually, or more frequently whenever there is an indication of possible impairment, and carried at cost less accumulated impairment losses. If there is any indication that goodwill is impaired, recoverable amount is estimated and the difference between carrying amount and recoverable amount is recognised as an impairment charge. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2 Consolidation (Continued)

2.1 Subsidiaries (Continued)

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group 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.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. Dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as other operating income. The Group assesses at each financial reporting date whether there is objective evidence that an investment in subsidiaries is impaired. An impairment loss is recognised for the amount by which the investment in subsidiaries' carrying amount exceeds its recoverable amount. Recoverable amount is the higher of the investment in subsidiaries' fair value less costs to sell and value in use.

2.2 Associates and joint ventures

Associates are all entities over which the Group has significant influence but no control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in associates and joint ventures are initially recognised at cost and accounted for using the equity method of accounting. The Group's "Investment in associates and joint ventures" includes goodwill.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is objective evidence that investments in associates and joint ventures are impaired. Impairment losses are recognised for the amounts by which the investments in associates and joint ventures' carrying amounts exceed their recoverable amounts. The recoverable amounts are the higher of investments in associates and joint ventures' fair value less costs to sell and value in use.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

2 Consolidation (Continued)

2.3 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the income statement. 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 income in respect of that entity are reclassified to the income statement.

3 Foreign currency translation

3.1 Functional and presentation currency

The functional currency of the Group's operations in the Chinese mainland is Renminbi ("RMB"). Items included in the financial statements of each of the Group's operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The presentation currency of the Group is RMB.

3.2 Transactions and balances

Foreign currency transactions are translated into respective functional currency using the exchange rates prevailing at the dates of the transactions, or the exchange rates that approximate the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in "Other comprehensive income". Translation differences on all other monetary assets and liabilities are recognised in the income statement.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3 Foreign currency translation (Continued)

3.2 Transactions and balances (Continued)

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the foreign exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated using the foreign exchange rates at the date the fair value is determined. Translation differences on non-monetary financial assets classified as financial assets at fair value through other comprehensive income are recognised in "Other comprehensive income". Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised as "Net trading gains" in the income statement.

Except for the entities in a hyper-inflationary economy, where all financial statement items are translated into the presentation currency at the closing rate at the statement of financial position date, the results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each income statement are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction; and

- all resulting exchange differences are recognised in "Other comprehensive income".

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of customers deposits taken and other currency instruments designated as hedges of such investments are taken to "Other comprehensive income". When a foreign entity is disposed, these exchange differences are recognised in the income statement.

The effect of exchange rate changes on cash and cash equivalents is presented individually in the statement of cash flows.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments

4.1 Initial recognition and measurement

The Group recognises a financial asset or financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument, which is the trade date.

At initial recognition, the Group measures a financial asset or financial liability at its fair value. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognised in profit or loss. For other financial asset or liability, transaction costs are recognised in the initial measurement.

The fair value of a financial instrument at initial recognition is normally the transaction price. If the Group determines that the fair value at initial recognition differs from the transaction price, and if that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, the Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss.

4.2 Classification and Subsequent measurement

4.2.1 Financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Business model

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. For example, financial assets are held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. If above two situations are not applicable, the financial assets are classified as part of "other" business model. The Group's assessment of the business model is performed on a financial asset portfolio basis, and determined on the basis of scenarios which are reasonably expected to occur, taking into account: how cash flows were realised in the past, how the performance are evaluated and reported to the entity's key management personnel; the risks that affect the performance and the way in which those risks are assessed and managed; and how managers of the business are compensated, etc.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to determine whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, the principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(1) Financial assets at amortised cost

The Group classifies financial assets as subsequently measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group holds are subsequently measured at amortised cost. That is, the amount at which the financial asset 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 adjusted for any loss allowance.

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

The Group classifies financial assets as subsequently measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

(2) Financial assets at fair value through other comprehensive income (Continued)

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in "Other comprehensive income", except for interests calculated using effective interest method, impairment losses or reversal; and foreign exchange gains and losses. 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. The impairment allowances for such financial assets are recognised in other comprehensive income, impairment losses or reversal are recognised in profit or loss, and not reduce the carrying amount of such financial assets in the statement of financial position.

Investments in equity instruments

The Group may, at initial recognition, irrevocably designate an investment in equity instrument, which is not held for trading, as at fair value through other comprehensive income when it meets the definition of an equity instrument under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from other comprehensive income to undistributed profits under equity. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss. No impairment losses or reversal are recognised for such equity instruments.

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

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on such financial asset is recognised in profit or loss unless it is part of a hedging relationship. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.1 Financial assets (Continued)

(3) Financial assets at fair value through profit or loss (Continued)

When, and only when, the Group changes the business model for managing financial assets, the Group shall reclassify all affected financial assets. Reclassification is applied prospectively from the first day of the first reporting period following the change in business model.

4.2.2 Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

- financial guarantee contracts and commitments to provide a loan at a below-market interest rate.

Financial liabilities at fair value through profit or loss held by the Group are subsequently measured at fair value. A gain or loss on a financial liability that is measured at fair value is recognised in profit or loss unless:

- it is part of a hedging relationship; or

- it is a financial liability designated as at fair value through profit or loss and the effects of changes in the Group's credit risk are presented in other comprehensive income. When such financial liability is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to undistributed profits under equity.

The Group does not reclassify any financial liabilities.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.2 Classification and Subsequent measurement (Continued)

4.2.3 Financial assets and financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if it:

- is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

4.2.4 Financial assets and financial liabilities designated as at fair value through profit or loss

The Group may, at initial recognition, irrevocably designate a financial asset or financial liability as measured at fair value through profit or loss, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a portfolio of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the portfolio is provided internally on that basis to the Group's key management personnel; or
- the financial liability contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.3 Financial guarantee contracts and loan commitments

Financial guarantee contracts 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. Such financial guarantees are given to banks, financial institutions and other bodies to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the financial guarantee contracts are measured at the higher of the initial measurement less amortisation calculated and the impairment allowance determined by the expected credit loss ("ECL") model at the financial reporting date. Any increase in the liability relating to financial guarantee contracts is recognised in the income statement.

Loan commitments are commitments provided by the Group to customers to grant loans under the established contract terms during certain period. The impairment allowance for loan commitments is measured using the ECL model.

The impairment allowances for financial guarantees and loan commitments are presented in "Other liabilities – provision".

4.4 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of quoted financial assets and financial liabilities in active markets are based on market prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.5 Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the investments have expired, or when a financial asset is transferred, the Group has transferred substantially all risks and rewards of ownership, or when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

4.6 Impairment measurement for losses on assets

At the financial reporting date, the Group assesses and recognises the relevant impairment allowances for financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of expected credit losses.

Measurement of ECL

ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all cash flows expected to be received by the Group discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since initial recognition, the Group calculates ECL by three stages:

- stage 1: Financial instruments without significant increases in credit risk since initial recognition are included under Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;

- stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included under Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included under Stage 3, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.6 Impairment measurement for losses on assets (Continued)

Measurement of ECL (Continued)

Where, in the previous accounting period, the impairment allowance of a financial instrument was measured based on the ECL of the instrument over the entire lifetime, and while, at the current financial reporting date, such financial instrument is no longer regarded as experiencing a significant increase in credit risk since its initial recognition, the Group measures the impairment allowance of the financial instrument as at the financial reporting date using the ECL of the instrument over the next 12 months.

For purchased or originated credit-impaired financial assets, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition at the financial reporting date as an impairment allowance. At each financial reporting date, the Group recognises in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss.

The Group measures 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;
- time value of money; and
- reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the financial reporting date.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. The parameters, assumptions and estimation techniques used in measuring the ECL are disclosed in Note VI.2.3 measurement of ECL.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.7 Modification of contractual cash flows

The Group sometimes modifies or renegotiates the contractual cash flows with a counterparty, which include extending payment term arrangements, repayment schedule modifications and changes to the interest settlement arrangement. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

If the terms are not substantially different, it does not result in a derecognition of the original financial asset. The risk of default of such assets after modification is assessed at the financial reporting date and compared with the risk under the original terms at initial recognition. The gross carrying amount of the financial asset is recalculated based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate, and the related gain or loss is recognised in profit and loss.

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. 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.

4.8 Write off

When the Group determines that a loan has no reasonable prospect of recovery after the Group has taken necessary actions and necessary proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss captured within impairment losses on financial assets.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.9 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. Credit risk valuation adjustments are applied to the Group's over-the-counter derivatives to reflect the credit risk of the counterparties and the Group, respectively. They are dependent on the expected future values of exposures for each counterparty and default probabilities, etc. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The treatment of 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 inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. When designating a hedging relationship and on an ongoing basis, the Group assesses the hedge effectiveness, that is the extent to which changes in the fair value or cash flows of the hedging instrument offsets changes in fair values or cash flows of the hedged item.

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

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.9 Derivative financial instruments and hedge accounting (Continued)

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity 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.

Possible sources of ineffectiveness are as follows:

- notional and timing differences between the hedged items and 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 updated 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.

(1) 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.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with the changes in fair value of the hedged item attributable to the hedged risk. The net result is included as ineffectiveness in the income statement.

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 the income statement over the period to maturity.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.9 Derivative financial instruments and hedge accounting (Continued)

(2) 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 (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in "Other comprehensive income". The ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the same periods when the hedged future cash flows affect profit or loss.

When the Group discontinues hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, that amount accumulated in the cash flow hedge reserve shall remain in equity. If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss.

(3) Net investment hedge

Net investment hedge is a hedge of a net investment in a foreign operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are reclassified to the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

When the Group separates the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element, the changes in the value of the forward element of the forward contract shall be recognised in other comprehensive income to the extent that it relates to the hedged item.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

4 Financial instruments (Continued)

4.10 Embedded derivatives

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 a hybrid contract contains a host that is a financial asset, the Group applies the requirements of classification and measurement to the entire hybrid contract. If a hybrid contract contains a host that is not a financial asset, the Group separates the embedded derivative from the host contract and accounts for it as a derivative, if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement.

These embedded derivatives separated from the host contract are measured at fair value with changes in fair value recognised in the income statement.

If it is unable to measure the embedded derivative separately either at acquisition or at the subsequent financial reporting date, the Group will designate the entire hybrid instrument as at fair value through profit or loss.

4.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a current legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

5 Precious metals

Precious metals comprise gold, silver and other precious metals. The Group retains all risks and rewards of ownership related to precious metals deposited with the Group, including the right to freely pledge or transfer, and it records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. Precious metals that are not related to the Group's precious metal market making and 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 market making and trading activities are initially recognised at fair value and subsequent changes in fair value included in "Net trading gains" are recognised in the income statement.

6 Repurchase agreements, agreements to re-sell and securities lending

Securities and bills sold subject to repurchase agreements ("Repos") continue to be recognised and are recorded as "Financial investments". The corresponding obligation is included in "Placements from banks and other financial institutions" and "Due to central banks". Securities and bills purchased under agreements to re-sell ("Reverse repos") are not recognised. The receivables are recorded as "Placements with and loans to banks and other financial institutions" or "Balances with central banks", as appropriate.

The difference between purchase and sale price is recognised as "Interest expense" or "Interest income" in the income statement over the life of the agreements using the effective interest method.

Securities lending transactions are generally secured, with collateral taking the form of securities or cash. Securities lent to counterparties by the Group are recorded in the consolidated financial statements. Securities borrowed from counterparties by the Group are not recognised in the consolidated financial statements of the Group. Cash collateral received or advanced is recognised as a liability or an asset in the consolidated financial statements.

7 Property and equipment and construction in progress

The Group's property and equipment mainly comprise buildings, equipment and motor vehicles and aircraft. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in "Property and equipment".

Assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets.

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

7 Property and equipment and construction in progress (Continued)

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line method 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.

Property and equipment are reviewed for impairment at each financial reporting date. 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 value in use.

Gains and losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant taxes and expenses. These are included in the income statement.

7.1 Buildings, equipment and motor vehicles

Buildings comprise primarily branch and office premises. The estimated useful lives, estimated residual value rate and depreciation rate of buildings, equipment and motor vehicles are as follows:

Type of assets	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	15-50 years	3%	1.9%-6.5%
Equipment	3-15 years	3%	6.4%-32.4%
Motor vehicles	4-6 years	3%	16.1%-24.3%

7.2 Aircraft

Aircraft are used in the Group's aircraft operating leasing business.

Aircraft are depreciated using the straight-line method over the expected useful life of 25 years, less the years in service at the time of purchase to an estimated residual value rate varying from 0% to 15%.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

7 Property and equipment and construction in progress (Continued)

7.3 Construction in progress

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use and the depreciation charge commences after such assets are transferred to property and equipment.

8 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 one or more identified assets for a period of time in exchange for consideration.

8.1 As Lessee

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any option to purchase the underlying asset as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when new as a lease of low-value asset. The Group chooses not to recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rental expenses are recognised as “Operating expenses” in the income statement on a straight-line basis over each period of the lease term.

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payment. The economic circumstance and the observable interest rate set the foundation for each institution of the Group in determining the incremental borrowing rate. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the Bank and its subsidiaries and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

8 Leases (Continued)

8.1 As Lessee (Continued)

Right-of-use assets

The right-of-use assets of the Group mainly include buildings, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises:

(1) the amount of the initial measurement of the lease liability;

(2) any lease payments made at or before the commencement date of the lease less any lease incentives received;

(3) any initial direct costs incurred when the Group is a lessee; and

(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liabilities at the present value of the changed lease payments and adjusts the carrying amounts of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

Lease liabilities

At the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

8 Leases (Continued)

8.1 As Lessee (Continued)

Lease liabilities (Continued)

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of lease liabilities in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are recognised in profit or loss as incurred.

After the commencement date, the Group remeasures lease liabilities by discounting the revised lease payments if any of the following occur: (i) there is a change in the in-substance fixed payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iv) there is a change in the assessments of options to purchase the underlying asset, extend or terminate the lease, or the circumstances of the actual exercise of these options.

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(2) 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.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

8 Leases (Continued)

8.2 As Lessor

At the inception date, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

When the Group is a lessor under finance leases, the Group recognises the finance lease receivable and derecognises the assets under finance leases at the commencement date. The Group recognise assets held under a finance lease in the consolidated statement of financial position and such assets at an amount equal to the net investment in the lease. Net investment in the lease is the present value of the sum of the unguaranteed residual value and the lease payments that are not received at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognises the interest income in each period during the lease term using the constant periodic rate of interest, and recognises such interest income in profit or loss. Income relating to variable lease payments that are not measured as part of the net investment in the lease are recognised in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group reflects the underlying assets as the Group's assets. The rental income is recognised as "Other operating income" in the income statement on a straight-line basis over each period of the lease term. Income relating to variable lease payments that are not measured as part of the receivable in the lease are recognised in profit or loss as incurred.

9 Investment properties

Investment properties, principally consisting of office buildings, are held to generate rental income or earn capital gains or both and are not occupied by the Group. Investment properties are carried at fair value and changes in fair value are recorded in the income statement, representing the open market value and other related information determined periodically by independent appraisers.

10 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned and controlled by the Group, including computer software and other intangible assets.

Computer software and other intangible assets are stated at acquisition cost less accumulated amortisation and impairment. These costs are amortised on a straight-line basis over their estimated useful lives with the amortisation recognised in the income statement.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

10 Intangible assets (Continued)

Expenditure on research and development mainly includes staff cost, depreciation and amortisation of equipment and software during research and development activities. The expenditure on research and development project is classified into expenditure on the research phase and expenditure on the development phase. Research is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products etc. before the start of commercial production or use. Expenditure on research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;

- Intention to complete the intangible asset and use or sell it;

- It can be demonstrated how the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

- There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset, and

- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred.

The value of intangible assets is reviewed for impairment at each financial reporting date. 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 of an intangible asset is the higher of the asset's fair value less costs to sell and value in use.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

11 Employee benefits

Bonus plans

The Group recognises a liability and an expense for bonuses, taking into consideration its business performance and profit attributable to the Bank's equity holders. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

12 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount initially recognised as a provision should be the best estimate of the expenditure required to settle the present obligation.

13 Insurance contracts

13.1 Identification of Insurance Contracts

The insurance subsidiaries of the Group bear insurance risk through issuance of insurance contracts. The Group assesses whether each contract transfers significant insurance risk to determine whether it is within the scope of IFRS 17.

Insurance contracts subject to similar risks and managed together are grouped as a portfolio of insurance contracts. Each portfolio is further divided into groups of contracts mainly based on profitability, extent of loss or possibility of becoming onerous contract subsequent to initial recognition. Insurance contracts issued more than one year apart should not be included in the same group.

13.2 Recognition and measurement of insurance contracts

The Group considers a group of insurance contracts as the lowest unit of account. Insurance contracts are measured using general measurement model ("GMM"), variable fee approach ("VFA") or premium allocation approach ("PAA") as at the end of each reporting period.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

13 Insurance contracts (Continued)

13.2 Recognition and measurement of insurance contracts (Continued)

For the GMM, the insurance contracts are measured with the following building block:

- present value of future cash flows that relate directly to the fulfilment of the contracts discounted at applicable current discount rates;
- risk adjustments for non-financial risks; and
- contractual service margin representing unearned profit of the contracts.

Contractual service margin is adjusted at the end of each reporting period for changes in fulfilment cash flows that relate to future service; and will be recognised in insurance revenue in subsequent periods to reflect the insurance services provided under "Other operating income". The Group shall recognise a loss at initial recognition of a group of onerous insurance contracts or when the group of contracts becomes onerous on subsequent measurement under "Operating expenses" in the income statement.

Insurance related revenue are presented in "Other operating income", whereas insurance service expenses and insurance finance income or expenses of certain portfolios of insurance contracts are presented in "Operating expenses". Directly attributable insurance acquisition cash flows are amortised in both "Other operating income" and "Operating expenses" during the lifetime of insurance contracts.

Discount rates used to measure the insurance contracts by the Group are consistent with observable current market prices to reflect the time value of money and financial risks related to those cash flows. For certain portfolios of insurance contracts, the Group chooses to disaggregate the insurance finance income or expenses for the period, arising from the effect of the time value of money and financial risks, into "Operating expenses" and "Other comprehensive income".

Apart from the GMM, the Group applies the VFA to insurance contracts with direct participation feature. Under the VFA, changes in the Group's share in the underlying items are related to changes in future services to be provided, and related contractual service margin will be adjusted. In addition, the Group simplifies measurement of short-term insurance contracts within one year or other eligible insurance contracts using the PAA.

14 Preference shares and perpetual bonds

Preference shares issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Preference shares issued are non-derivative instruments that will be settled in the Group's own equity instruments, but includes no contractual obligation for the Group to deliver a variable number of its own equity instruments. The Group classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. Dividends on preference shares are recognised as profit distribution at the time of declaration.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

14 Preference shares and perpetual bonds (Continued)

Perpetual bonds issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. Perpetual bonds issued include no terms and arrangements that the bonds must or will alternatively be settled in the Group's own equity instruments. The Group classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity. Interest on perpetual bonds is recognised as profit distribution at the time of declaration.

15 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.

16 Fiduciary activities

The Group acts as a custodian, trustee or in other fiduciary capacities, that result in its holding or placing of assets on behalf of individuals, securities investment funds, social security funds, insurance companies, qualified foreign institutional investors, annuity schemes and other customers. These assets are not included in the statement of financial position of the Group, as they are not assets of the Group.

The Group also administers entrusted loans on behalf of third-party lenders. In this regard, the Group grants loans to borrowers, as an intermediary, at the direction of third-party lenders, who fund these loans. The Group has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans, including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with the entrusted loans, but the risk of loss is borne by the third-party lenders. Entrusted loans are not recognised in the statement of financial position of the Group.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

17 Interest income and expense

"Interest income" and "Interest expense" in the Group's income statement are the interest income and expense calculated using the effective interest method on financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial liabilities at amortised cost.

Effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period. Effective interest rate is that exactly discounts estimated future cash flows through the expected life of a financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating effective interest rate, the Group estimates the expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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. Credit-adjusted effective interest rate is that exactly discounts the estimated future cash flows through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

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.

18 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

19 Income taxes

Income taxes comprise current income tax and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items directly recognised in Equity, in which case, tax is also directly recognised in Equity.

19.1 Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the financial reporting date, and any adjustment to tax payable in respect of previous years.

19.2 Deferred income tax

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related asset is realised, or the liability is settled.

The principal temporary differences arise from asset impairment allowances, revaluation of certain financial assets and financial liabilities including derivative contracts, revaluation of investment properties, depreciation and amortisation, provisions for pension, retirement benefits and salary payables.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/loss and does not give rise to equal taxable and deductible temporary differences.

For deductible temporary differences associated with investment in subsidiaries, associates and joint ventures, a deferred tax asset is recognised to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/loss and does not give rise to equal taxable and deductible temporary differences.

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

19 Income taxes (Continued)

19.2 Deferred income tax (Continued)

Deferred income tax liabilities on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures are recognised, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are related to the same fiscal authority.

20 Cash equivalents

Cash equivalents of the Group 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. These assets have original maturity of less than three months.

21 Related parties

A party is considered to be related to the Group if:

(1) the party is a person or a close member of that person's family and that person:

  (a) has control or joint control over the Group;

  (b) has significant influence over the Group; or

  (c) is a member of the key management personnel of the Group or of a parent of the Group;

or

II SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

21 Related parties (Continued)

(2) the party is an entity where any of the following conditions applies:

(a) the entity and the Group are members of the same group;

(b) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(c) the entity and the Group are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (1);

(g) a person identified in (1)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

22 Segment reporting

The Group reviews the internal reporting in order to assess performance and allocate resources. Segment information is presented on the same basis as the Group's management and internal reporting.

23 Materiality

The concept of materiality is applied by management in the preparation of financial statements and disclosures. Financial information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Group assesses whether the financial information is material depending on the nature and magnitude, or both, considering entity-specific situation. When considering the nature of the information, the Group considers whether the nature of such information is related to normal operating activity, whether it has significant impact on the Group's financial position, operating results and cash flows. When considering the magnitude of the information, the Group considers the proportion of such information of total assets, total liabilities, total equity, total operating income, total operating expenses, profit after tax, total other comprehensive income and respective financial statement line items.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The accounting estimates and judgements made by the Group will generally affect the carrying amounts of assets and liabilities of the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group has taken into consideration the impact of the economic environment on the industries and territories in which the Group operates when determining critical accounting estimates and judgements in applying accounting policies.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

1 Measurement of ECL

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, debt instruments measured at FVOCI and loan commitments and financial guarantee contracts is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the likelihood of customers defaulting and the resulting losses).

A number of significant judgements and estimations are required in applying the accounting requirements for measuring ECL, such as:

- segmentation of portfolios sharing similar credit risk characteristics for the purposes of measuring ECL;
- selection of appropriate models and assumptions for the measurement of ECL;
- determination of criteria for determining significant increases in credit risk, default and credit-impaired financial assets;
- economic indicators for forward-looking measurement, and the application of economic scenarios and weightings for different types of products; and
- estimation of future cash flows for impaired loans and advances to customers where ECL is being assessed individually.

Refer to Note VI.2.3 measurement of ECL for the description of the parameters, assumptions and estimation techniques used in measuring the ECL.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

2 Fair value of financial instruments

The Group establishes fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, 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. Whenever possible these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against the industry practice and observable current market transactions in the same or similar 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, updated to reflect market conditions at the financial reporting date.

3 Provisions

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

4 Taxes

The Group is subject to income, value-added and other taxes in numerous jurisdictions, principally in Chinese mainland and Hong Kong (China). During the ordinary course of business, there are certain transactions and activities for which the final tax treatment is uncertain. The Group takes into account the existing tax legislations and past practice in determining the tax estimates.

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, deferred income tax, and value-added tax in the period during which such a determination is made.

5 Impairment of non-financial assets

Non-financial assets are periodically reviewed for impairment and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

When estimating the value in use of aircraft held by the subsidiary, the Group estimates expected future cash flows from the aircraft and uses a suitable discount rate to calculate present value. The Group obtains valuations of aircraft from independent appraisers for which the principal assumptions underlying aircraft value are based on current market transactions for similar aircraft in the same location and condition. The Group also uses the fair value of aircraft obtained from independent appraisers in its assessment of the recoverable amount of intangible assets and the goodwill arising from the purchase of the Group's aircraft leasing subsidiary.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

6 Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes consideration of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and the link between power and returns.

Variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as investment income, remuneration and exposure to loss from providing credit or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements, and contractual agreements, but also other circumstances where the Group may have obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

IV TAXATION

The principal income and other taxes to which the Group is subject are listed below:

Taxes	Tax basis	Statutory rates
Chinese mainland		
Corporate income tax	Taxable income	25%
Value-added tax	Taxable added value	6%
City construction and maintenance tax	Turnover tax paid	1%-7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	2%
Hong Kong (China)		
Hong Kong (China) profits tax	Assessable profits	16.5%

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS

1 Net interest income

	Year ended 31 December	
	2023	**2022**
Interest income		
Loans and advances to customers	750,601	652,655
— Corporate loans and advances	465,947	361,805
— Personal loans	275,494	282,390
— Discounted bills	9,160	8,460
Financial investments	192,293	164,603
— Financial assets at fair value through other comprehensive income	86,272	61,964
— Financial assets at amortised cost	106,021	102,639
Due from and placements with and loans to banks and other financial institutions and central banks	105,957	63,590
Subtotal	1,048,851	880,848
Interest expense		
Due to customers	(450,851)	(311,923)
Due to and placements from banks and other financial institutions	(84,376)	(64,761)
Bonds issued and other	(47,079)	(44,898)
Subtotal	(582,306)	(421,582)
Net interest income	466,545	459,266

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

2 Net fee and commission income

	Year ended 31 December	
	2023	**2022**
Agency commissions	21,134	22,319
Settlement and clearing fees	16,672	15,994
Bank card fees	13,585	12,256
Credit commitment fees	11,412	11,368
Custodian and other fiduciary service fees	8,581	6,844
Consultancy and advisory fees	8,051	5,651
Spread income from foreign exchange business	5,751	5,788
Other	7,183	6,882
Fee and commission income	92,369	87,102
Fee and commission expense	(13,504)	(12,212)
Net fee and commission income	78,865	74,890

3 Net trading gains

	Year ended 31 December	
	2023	**2022**
Net gains from foreign exchange and foreign exchange products	9,934	8,947
Net gains from interest rate products	17,647	2,203
Net losses from fund investments and equity products	(835)	(4,740)
Net gains from commodity products	1,977	811
Total (1)	28,723	7,221

(1) Included in "Net trading gains" above for the year ended 31 December 2023 were gains of RMB1,444 million in relation to financial assets and financial liabilities designated as at fair value through profit or loss (2022: losses of RMB1,173 million).

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

4 Net gains on transfers of financial asset

	Year ended 31 December	
	2023	**2022**
Net (losses)/gains on derecognition of financial assets at fair value through other comprehensive income	(973)	652
Net gains on derecognition of financial assets at amortised cost [(1)]	1,779	1,431
Total	806	2,083

(1) All the net gains on the derecognition of financial assets at amortised cost were result from disposals during the year ended 31 December 2023 and 2022.

5 Other operating income

	Year ended 31 December	
	2023	**2022**
Revenue from sales of precious metal products	14,311	9,413
Aircraft leasing income	13,432	12,058
Insurance revenue	10,309	8,601
Dividend income	4,563	6,036
Gains on disposals of property and equipment, intangible assets and other assets	1,671	979
Changes in fair value of investment properties (Note V.22)	(632)	(7)
Other [(1)]	5,545	5,921
Total	49,199	43,001

(1) For the year ended 31 December 2023, government subsidy income from operating activities, as part of other operating income, was RMB359 million (2022: RMB206 million).

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

6 Operating expenses

	Year ended 31 December	
	2023	**2022**
Staff costs (Note V.7)	107,872	101,004
General operating and administrative expenses [(1) (2)]	44,778	44,730
Depreciation and amortisation	24,853	23,579
Cost of sales of precious metal products	13,939	9,090
Insurance service expenses	9,020	7,814
Insurance finance expenses/(income)	6,994	(3,279)
Taxes and surcharges	6,098	6,072
Other	9,379	10,496
Total [(3) (4)]	222,933	199,506

(1) Included in the "General operating and administrative expenses" was principal auditors' remuneration of RMB193 million for the year ended 31 December 2023 (2022: RMB182 million), of which RMB85 million is for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions of the Group (2022: RMB73 million).

(2) Included in the "General operating and administrative expenses" were lease expenses related to short-term leases, leases of low-value assets and others of RMB1,239 million for the year ended 31 December 2023 (2022: RMB1,045 million).

(3) Included in the "Operating expenses" were premises and equipment-related expenses (mainly comprised of property management and building maintenance expenses and taxes) of RMB13,564 million for the year ended 31 December 2023 (2022: RMB13,188 million).

(4) Included in the "Operating expenses" was expenditure related to research and development activities of RMB469 million for the year ended 31 December 2023 (2022: RMB342 million).

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

7 Staff costs

	Year ended 31 December	
	2023	**2022**
Salary, bonus and subsidy	75,143	70,956
Staff welfare	4,821	4,972
Retirement benefits	38	29
Social insurance		
— Medical	4,388	3,690
— Pension	6,914	6,420
— Annuity	4,114	3,829
— Unemployment	245	216
— Injury at work	98	86
— Maternity insurance	119	109
Housing funds	5,451	5,117
Labour union fee and staff education fee	1,911	1,140
Reimbursement for cancellation of labour contract	20	25
Other	4,610	4,415
Total	107,872	101,004

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

8 Directors', supervisors' and senior management's emoluments

Details of the directors' and supervisors' emoluments are as follows:

For the year ended 31 December 2023

	Fees	Remuneration paid	Contributions to pension schemes	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
GE Haijiao[4][5]	–[2]	504	101	71	676
LIU Jin[4]	–[2]	673	134	93	900
LIN Jingzhen[4]	–[2]	605	127	93	825
WANG Wei[4][6]	–[2]	151	31	23	205
Non-executive directors					
ZHANG Yong[1][5]	–	–	–	–	–
ZHANG Jiangang[1]	–	–	–	–	–
HUANG Binghua[1]	–	–	–	–	–
LIU Hui[1][5]	–	–	–	–	–
SHI Yongyan[1][5]	–	–	–	–	–
XIAO Lihong[1][6]	–	–	–	–	–
WANG Xiaoya[1][6]	–	–	–	–	–
CHEN Jianbo[1][6]	–	–	–	–	–
Independent directors					
Martin Cheung Kong LIAO	450	–	–	–	450
CHUI Sai Peng Jose	500	–	–	–	500
Jean-Louis Ekra	450	–	–	–	450
E Weinan	350	–	–	–	350
Giovanni Tria	400	–	–	–	400
JIANG Guohua[6]	489	–	–	–	489
Supervisors					
WEI Hanguang[3]	50	–	–	–	50
ZHOU Hehua[3]	50	–	–	–	50
JIA Xiangsen	260	–	–	–	260
HUI Ping	260	–	–	–	260
CHU Yiyun	260	–	–	–	260
ZHANG Keqiu[4][6]	–	673	134	93	900
LENG Jie[3][6]	4	–	–	–	4
	3,523	2,606	527	373	7,029

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

For the year ended 31 December 2022

	Fees	Remuneration paid	Contributions to pension schemes	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
LIU Jin[(4)]	–[(2)]	900	125	86	1,111
LIN Jingzhen[(4)]	–[(2)]	807	118	86	1,011
WANG Wei[(4)(6)]	–[(2)]	808	118	86	1,012
Non-executive directors					
ZHANG Jiangang[(1)]	–	–	–	–	–
HUANG Binghua[(1)]	–	–	–	–	–
ZHAO Jie[(1)]	–	–	–	–	–
XIAO Lihong[(1)(6)]	–	–	–	–	–
WANG Xiaoya[(1)(6)]	–	–	–	–	–
CHEN Jianbo[(1)(6)]	–	–	–	–	–
Independent directors					
Martin Cheung Kong LIAO	450	–	–	–	450
CHUI Sai Peng Jose	493	–	–	–	493
Jean-Louis Ekra	250	–	–	–	250
E Weinan	152	–	–	–	152
Giovanni Tria	174	–	–	–	174
JIANG Guohua[(6)]	600	–	–	–	600
WANG Changyun	300	–	–	–	300
Angela CHAO	225	–	–	–	225
CHEN Chunhua	329	–	–	–	329
Supervisors					
WEI Hanguang[(3)]	50	–	–	–	50
ZHOU Hehua[(3)]	50	–	–	–	50
JIA Xiangsen	260	–	–	–	260
HUI Ping	223	–	–	–	223
CHU Yiyun	127	–	–	–	127
ZHANG Keqiu[(4)(6)]	–	900	125	86	1,111
LENG Jie[(3)(6)]	50	–	–	–	50
ZHENG Zhiguang	129	–	–	–	129
	3,862	3,415	486	344	8,107

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

(1) For the years ended 31 December 2023 and 2022, these non-executive directors of the Bank were not remunerated by the Bank.

(2) For the years ended 31 December 2023 and 2022, these executive directors of the Bank did not receive any fees.

(3) Employee supervisors' compensation presented above is paid for serving as the supervisors of the Bank.

(4) A portion of the discretionary bonus payments for executive directors and the Chairman of the Board of Supervisors are deferred for a minimum of 3 years, which is contingent upon the future performance in accordance with relevant regulations of the PRC authorities.

The total compensation packages for executive directors and certain supervisors for the year ended 31 December 2023 including discretionary bonus have not yet been finalised in accordance with the relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2023 financial statements. The final compensation for the year ended 31 December 2023 will be disclosed in a separate announcement when determined.

The compensation amounts for these directors and supervisors for the year ended 31 December 2022 were restated based on the finalised amounts as disclosed in the Bank's announcement on resolutions of the Board of Directors dated 30 August 2023.

(5) GE Haijiao began to serve as Chairman of the Board of Directors and Executive director of the Bank as of 25 April 2023. ZHANG Yong began to serve as Non-executive director of the Bank as of 9 June 2023. LIU Hui began to serve as Non-executive director of the Bank as of 24 August 2023. SHI Yongyan began to serve as Non-executive director of the Bank as of 25 September 2023. LIU Xiaolei began to serve as Independent director of the Bank as of 26 March 2024. Since LIU Xiaolei did not hold any position at the Board of Directors of the Bank in 2023, no emoluments were disclosed in 2023.

(6) WANG Wei ceased to serve as Executive director of the Bank as of 21 March 2023. XIAO Lihong and WANG Xiaoya ceased to serve as Non-executive director of the Bank as of 30 June 2023. CHEN Jianbo ceased to serve as Non-executive director of the Bank as of 17 April 2023. JIANG Guohua ceased to serve as Independent director of the Bank as of 26 February 2024. ZHANG Keqiu ceased to serve as Chairwoman of the Board of Supervisors and Shareholder Supervisor as of 5 February 2024. LENG Jie ceased to serve as Employee Supervisor as of 31 January 2023.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

8 Directors', supervisors' and senior management's emoluments (Continued)

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed above.

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2023 and 2022, respectively are as follows:

	Year ended 31 December	
	2023	**2022**
Basic salaries and allowances	22	20
Discretionary bonuses	39	55
Contributions to pension schemes and other	1	2
	62	77

Emoluments of the individuals were within the following bands:

	Year ended 31 December	
Amounts in RMB	**2023**	**2022**
5,000,001-10,000,000	2	–
10,000,001-15,000,000	2	4
15,000,001-20,000,000	–	–
20,000,001-25,000,000	1	–
25,000,001-30,000,000	–	1

The above five highest paid individuals' emoluments are based on best estimates of discretionary bonuses. Discretionary bonuses include portions of payments that are deferred to future periods.

During the years ended 31 December 2023 and 2022, the Group has not paid any emoluments to the directors, supervisors, or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

9 Credit impairment losses

	Year ended 31 December	
	2023	**2022**
Loans and advances		
— Loans and advances at amortised cost	106,213	92,769
— Loans and advances at fair value through other comprehensive income	(99)	24
Subtotal	106,114	92,793
Financial investments		
— Financial assets at amortised cost	934	154
— Financial assets at fair value through other comprehensive income	2,092	(575)
Subtotal	3,026	(421)
Credit commitments	(799)	5,781
Other	(1,847)	(160)
Total	106,494	97,993

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

10 Income tax expense

	Year ended 31 December	
	2023	**2022**
Current income tax		
— Chinese mainland income tax	48,202	47,633
— Hong Kong (China) profits tax	5,401	5,082
— Macao (China), Taiwan (China) and other countries and regions taxation	6,155	5,016
Adjustments in respect of current income tax of prior years	78	2,473
Subtotal	59,836	60,204
Deferred income tax (Note V.36.3)	(10,599)	(13,288)
Total	49,237	46,916

The principal tax rates applicable to the Group are set out in Note IV.

Provision for Chinese mainland income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Bank and each of its subsidiaries established in the Chinese mainland, and supplementary PRC tax on overseas operations as determined in accordance with the relevant PRC income tax rules and regulations.

Taxation on profits of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions has been calculated on the estimated assessable profits in accordance with local tax regulations at the rates of taxation prevailing in the countries or regions in which the Group operates.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

10 Income tax expense (Continued)

The tax rate on the Group's profit before income tax differs from the theoretical amount that would arise using the basic Chinese mainland tax rate of the Bank as follows:

	Year ended 31 December	
	2023	**2022**
Profit before income tax	295,608	283,641
Tax calculated at the basic Chinese mainland tax rate	73,902	70,910
Effect of different tax rates for Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	(5,137)	(3,601)
Supplementary PRC tax on overseas income	3,089	3,019
Income not subject to tax [(1)]	(35,178)	(31,938)
Items not deductible for tax purposes [(2)]	13,262	7,608
Other	(701)	918
Income tax expense	49,237	46,916

(1) Income not subject to tax mainly comprises interest income from PRC treasury bonds and Chinese local government bonds, and tax-free income recognised by the overseas entities in accordance with the relevant local tax law.

(2) Non-deductible items primarily include non-deductible losses resulting from the write-off of certain non-performing loans, and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

10 Income tax expense (Continued)

OECD Pillar Two model rules

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

The Group is within the scope of the Pillar Two rules. As at 31 December 2023, Chinese mainland has not legislated the Pillar Two. The United Kingdom, Luxembourg, Germany, etc., where some of the Group's branches and subsidiaries are located, have enacted Pillar Two local legislation, and have come into effect on or after 1 January 2024. Since the global Pillar Two legislation was not effective at 31 December 2023, the Group is not required to recognise the related current income tax for the year ended 31 December 2023. Meanwhile, the Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12-Income Taxes issued in May 2023.

When Pillar Two becomes effective in the jurisdictions in which the Group operates, the Group is required to calculate the effective tax rate for each jurisdiction under the Pillar Two rules and to recognise a top-up tax on any shortfall of 15%. Due to the complexity of the Pillar Two calculations and the difference between the effective tax rate calculated under Pillar Two and IAS 12-Income Taxes, the Group is currently engaged with tax specialists to assist with analysing the potential impact of Pillar Two.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

11 Earnings per share

Basic earnings per share was computed by dividing the profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all potentially dilutive shares for the period by the adjusted weighted average number of ordinary shares in issue. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the years ended 31 December 2023 and 2022.

	Year ended 31 December	
	2023	**2022**
Profit attributable to equity holders of the Bank	231,904	226,522
Less: dividends/interest on preference shares/ perpetual bonds declared	(15,296)	(13,419)
Profit attributable to ordinary shareholders of the Bank	216,608	213,103
Weighted average number of ordinary shares in issue (in million shares)	294,388	294,388
Basic and diluted earnings per share (in RMB)	0.74	0.72

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

12 Other comprehensive income

	Year ended 31 December	
	2023	**2022**
Items that will not be reclassified to profit or loss		
Actuarial gains on defined benefit plans	31	68
Changes in fair value on equity instruments designated at fair value through other comprehensive income	5,536	3,009
Less: related income tax impact	(1,188)	(903)
Other	(2)	9
Subtotal	4,377	2,183
Items that may be reclassified to profit or loss		
Changes in fair value on debt instruments measured at fair value through other comprehensive income	25,128	(35,976)
Less: related income tax impact	(5,643)	7,389
Amount transferred to the income statement	973	(652)
Less: related income tax impact	(215)	263
	20,243	(28,976)
Allowance for credit losses on debt instruments measured at fair value through other comprehensive income	2,005	(513)
Less: related income tax impact	(504)	138
	1,501	(375)
Finance (expenses)/income from insurance contracts issued	(4,630)	3,839
Less: related income tax impact	534	(561)
	(4,096)	3,278
Exchange differences from the translation of foreign operations	7,007	32,951
Other	(39)	681
Subtotal	24,616	7,559
Total	28,993	9,742

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

12 Other comprehensive income (Continued)

Other comprehensive income attributable to equity holders of the Bank in the consolidated statement of financial position:

	Gains/(losses) on financial assets at fair value through other comprehensive income	Exchange differences from the translation of foreign operations	Other	Total
As at 31 December 2021	28,890	(30,239)	2,766	1,417
Impact of accounting policy changes (Note II.1.3)	747	31	(44)	734
As at 1 January 2022	29,637	(30,208)	2,722	2,151
Changes for the year	(22,547)	22,505	3,396	3,354
As at 31 December 2022 and 1 January 2023	7,090	(7,703)	6,118	5,505
Changes for the year	24,225	5,138	(149)	29,214
As at 31 December 2023	31,315	(2,565)	5,969	34,719

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

13 Cash and due from banks and other financial institutions

	As at 31 December	
	2023	**2022**
Cash	67,571	64,706
Due from banks in Chinese mainland	387,672	573,718
Due from other financial institutions in Chinese mainland	18,847	11,880
Due from banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	93,134	161,004
Due from other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	1,110	2,897
Subtotal(1)	500,763	749,499
Accrued interest	1,822	2,492
Less: allowance for impairment losses(1)	(1,301)	(1,634)
Subtotal due from banks and other financial institutions	501,284	750,357
Total	568,855	815,063

(1) As at 31 December 2023 and 2022, the Group included the predominant majority of due from banks and other financial institutions under Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

14 Balances with central banks

	As at 31 December	
	2023	**2022**
Mandatory reserves[(1)]	1,668,454	1,551,359
Surplus reserves and others[(2)]	1,274,398	765,062
Subtotal	2,942,852	2,316,421
Accrued interest	1,346	1,080
Less: allowance for impairment losses	(3,058)	(3,642)
Total	2,941,140	2,313,859

(1) The Group places mandatory reserve funds with the People's Bank of China (the "PBOC") and the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions where it has operations. As at 31 December 2023, mandatory reserve funds placed with the PBOC were calculated at 9.0% (31 December 2022: 9.5%) and 4.0% (31 December 2022: 6.0%) of qualified RMB deposits and foreign currency deposits from customers in Chinese mainland of the Bank, respectively. Mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve funds placed with the central banks of other jurisdictions are determined by local regulations.

(2) These represent funds for clearing purposes and balances other than mandatory reserves placed with the PBOC, the central banks of Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

15 Placements with and loans to banks and other financial institutions

	As at 31 December	
	2023	**2022**
Placements with and loans to:		
Banks in Chinese mainland	229,088	137,472
Other financial institutions in Chinese mainland	719,913	648,655
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	244,024	357,834
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	35,950	29,360
Subtotal(1)(2)(3)	1,228,975	1,173,321
Accrued interest	6,359	4,663
Less: allowance for impairment losses(3)	(1,446)	(3,887)
Total	1,233,888	1,174,097

(1) The Group designates certain placements with and loans to banks and other financial institutions as financial assets measured at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 31 December 2023, the carrying amount of the above-mentioned financial assets of the Group was RMB18,126 million (31 December 2022: RMB12,333 million).

(2) "Placements with and loans to banks and other financial institutions" include balances arising from reverse repo agreements and collateralised financing agreements. They are presented by collateral type as follows:

	As at 31 December	
	2023	**2022**
Debt securities		
— Governments	152,597	209,940
— Policy banks	209,004	86,703
— Financial institutions	21,865	22,084
— Corporates	310	10,374
Subtotal(3)	383,776	329,101
Less: allowance for impairment losses(3)	(299)	(588)
Total	383,477	328,513

(3) As at 31 December 2023 and 2022, the Group included the predominant majority of its placements with and loans to banks and other financial institutions under Stage 1, and measured the impairment losses based on expected credit losses in the next 12 months.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting

The Group enters into foreign currency exchange rate, interest rate, equity, credit or precious metals and other commodity-related derivative financial instruments for trading, hedging, asset and liability management and customer initiated transactions.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with the fair values of instruments recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign currency exchange rates, credit spreads, or equity/commodity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

16.1 Derivative financial instruments

	As at 31 December 2023			As at 31 December 2022		
	Contractual/ Notional amount	Fair value		Contractual/ Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	8,730,966	92,586	(85,583)	6,088,697	94,304	(86,847)
Currency options	735,082	5,735	(5,646)	623,484	6,672	(5,967)
Currency futures	2,568	6	(11)	1,590	19	(10)
Subtotal	9,468,616	98,327	(91,240)	6,713,771	100,995	(92,824)
Interest rate derivatives						
Interest rate swaps	5,605,842	41,836	(36,028)	4,329,705	46,655	(38,621)
Interest rate options	15,749	216	(216)	22,037	349	(348)
Interest rate futures	22,196	9	(21)	89,445	72	(47)
Subtotal	5,643,787	42,061	(36,265)	4,441,187	47,076	(39,016)
Equity derivatives	5,566	118	(76)	9,085	269	(239)
Commodity derivatives and other	525,425	6,244	(8,392)	339,554	3,693	(3,759)
Total(1)	15,643,394	146,750	(135,973)	11,503,597	152,033	(135,838)

(1) The derivative financial instruments above include those designated as hedging instruments by the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting

(1) Fair value hedges

The Group uses cross-currency interest rate swaps and interest rate swaps to hedge against changes in fair value of "Financial investments", "Due to central banks" and "Bonds issued" arising from changes in foreign currency exchange rates and interest rates. Foreign currency exchange rate risk and interest rate risk are usually the primary risks which affect the change in fair value.

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies:

	Derivatives designated as hedging instruments in fair value hedges			
	Contractual/ Notional amount	Fair value		Line item in the statement of financial position
		Assets	Liabilities	
As at 31 December 2023				
Interest rate risk				
Interest rate swaps	99,520	4,558	(210)	Derivative financial assets/ liabilities
Foreign exchange and interest rate risk				
Cross-currency interest rate swaps	4,012	12	(64)	Derivative financial assets/ liabilities
Total	103,532	4,570	(274)	

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies (Continued):

	Derivatives designated as hedging instruments in fair value hedges			
	Contractual/ Notional amount	Fair value		Line item in the statement of financial position
		Assets	Liabilities	
As at 31 December 2022				
Interest rate risk				
Interest rate swaps	109,257	6,512	(253)	Derivative financial assets/ liabilities
Foreign exchange and interest rate risk				
Cross-currency interest rate swaps	2,860	3	(43)	Derivative financial assets/ liabilities
Total	112,117	6,515	(296)	

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies (Continued):

The following table sets out the maturity and average exchange rate/interest rate information of the hedging instruments mentioned above:

	Fair value hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2023						
Interest rate risk						
Interest rate swaps						
Notional amount	1,258	4,270	16,953	56,497	20,542	99,520
Average fixed interest rate	3.40%	3.48%	2.91%	3.22%	3.02%	N/A
Foreign exchange and interest rate risk						
Cross-currency interest rate swaps						
Notional amount	–	351	–	3,661	–	4,012
Average fixed interest rate	–	5.50%	–	3.91%	–	N/A
Average exchange rate of USD/CNY	–	6.0350	–	–	–	N/A
Average exchange rate of AUD/CNY	–	–	–	4.6875	–	N/A
Average exchange rate of AUD/USD	–	–	–	0.6766	–	N/A

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(i) The following table contains details of the derivative hedging instruments used in the Group's fair value hedging strategies (Continued):

	Fair value hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2022						
Interest rate risk						
Interest rate swaps						
Notional amount	2,380	2,380	9,484	70,065	24,948	109,257
Average fixed interest rate	3.47%	3.29%	3.22%	4.45%	2.86%	N/A
Foreign exchange and interest rate risk						
Cross-currency interest rate swaps						
Notional amount	–	–	–	2,860	–	2,860
Average fixed interest rate	–	–	–	4.74%	–	N/A
Average exchange rate of USD/CNY	–	–	–	6.0350	–	N/A
Average exchange rate of AUD/CNY	–	–	–	4.6875	–	N/A

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(ii) The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	Fair value hedges				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line item in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
As at 31 December 2023					
Interest rate risk					
Financial investments	85,682	–	(4,774)	–	Financial investments
Bonds issued	–	(9,228)	–	22	Bonds issued
Foreign exchange and interest rate risk					
Bonds issued	–	(3,860)	–	51	Bonds issued
Total	85,682	(13,088)	(4,774)	73	
As at 31 December 2022					
Interest rate risk					
Financial investments	95,927	–	(7,714)	–	Financial investments
Due to central banks	–	(2,574)	–	25	Due to central banks
Bonds issued	–	(3,175)	–	92	Bonds issued
Foreign exchange and interest rate risk					
Bonds issued	–	(2,794)	–	37	Bonds issued
Total	95,927	(8,543)	(7,714)	154	

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(1) Fair value hedges (Continued)

(iii) The Group's net gains/(losses) on fair value hedges are as follows:

	Year ended 31 December	
	2023	**2022**
Net gains/(losses) on		
— hedging instruments	(1,762)	7,193
— hedged items	1,836	(6,958)
Ineffectiveness recognised in net trading gains	74	235

(2) Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currencies of the Group and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using due to customers, due to central banks and foreign exchange forward and swap contracts in the same or exchange-rate pegged currencies as the functional currencies of the related branches and subsidiaries which are accounted for as hedges of certain net investments in foreign operations. Under the hedging relationships of designating due to customers, due to central banks and foreign exchange forward and swap contracts as hedging instruments, the Group separates the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element of the forward contract. There was no ineffectiveness for the year ended 31 December 2023 (2022: Nil).

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(i) Details of due to customers and due to central banks used in the Group's net investment hedging strategies:

As at 31 December 2023, the carrying value of such due to customers amounted to RMB67,358 million (31 December 2022: RMB74,359 million) and due to central banks amounted to RMB380 million (31 December 2022: RMB588 million).

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies:

	Derivatives designated as net investment hedging instruments			
	Contractual/ Notional amount	Fair value		Line item in the statement of financial position
		Assets	Liabilities	
As at 31 December 2023				
Foreign exchange forward and swap contracts	8,297	36	(195)	Derivative financial assets/liabilities
Total	8,297	36	(195)	
As at 31 December 2022				
Foreign exchange forward and swap contracts	7,520	278	(35)	Derivative financial assets/liabilities
Total	7,520	278	(35)	

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies (Continued):

The following table sets out the maturity and average exchange rate of the hedging instruments mentioned above:

	Net investment hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2023						
Foreign exchange risk						
Foreign exchange forward and swap contracts						
Notional amount	–	–	8,297	–	–	8,297
Average exchange rate of USD/BRL	–	–	5.3209	–	–	N/A
Average exchange rate of USD/ZAR	–	–	19.6375	–	–	N/A
Average exchange rate of USD/INR	–	–	83.4650	–	–	N/A
Average exchange rate of USD/MXN	–	–	18.6362	–	–	N/A
Average exchange rate of USD/CLP	863.7344	–	905.5018	–	–	N/A
Average exchange rate of USD/PEN	–	–	3.7470	–	–	N/A
Average exchange rate of USD/HUF	–	–	365.8648	–	–	N/A
Average exchange rate of USD/TWD	–	–	29.5737	–	–	N/A

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(ii) The following table contains details of the derivative hedging instruments used in the Group's net investment hedging strategies (Continued):

	Net investment hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2022						
Foreign exchange risk						
Foreign exchange forward and swap contracts						
Notional amount	–	–	7,520	–	–	7,520
Average exchange rate of USD/BRL	–	–	5.2811	–	–	N/A
Average exchange rate of USD/ZAR	–	–	16.6945	–	–	N/A
Average exchange rate of USD/INR	–	–	81.4512	–	–	N/A
Average exchange rate of USD/PEN	–	–	3.8149	–	–	N/A
Average exchange rate of USD/HUF	–	–	380.5948	–	–	N/A
Average exchange rate of USD/TWD	–	–	28.8214	–	–	N/A

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

16 Derivative financial instruments and hedge accounting (Continued)

16.2 Hedge accounting (Continued)

(2) Net investment hedges (Continued)

(iii) The Group's fair value changes from the hedging instruments recognised in "Other comprehensive income" on net investment hedges are as follows:

	As at 31 December	
	2023	**2022**
Amounts of fair value changes on hedging instruments recognised in "Other comprehensive income"	2,383	3,822
Amounts of forward element reclassified from "Other comprehensive income" to profit or loss	69	93
Net amounts of fair value changes on hedging instruments recognised in "Other comprehensive income"	2,452	3,915

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

17 Loans and advances to customers

17.1 Analysis of loans and advances to customers by measurement category

	As at 31 December	
	2023	**2022**
Measured at amortised cost		
— Corporate loans and advances	12,577,901	10,509,864
— Personal loans	6,609,965	6,406,970
— Discounted bills	1,345	1,703
Measured at fair value through other comprehensive income (1)		
— Corporate loans and advances	4,089	7,936
— Discounted bills	711,012	575,246
Subtotal	19,904,312	17,501,719
Measured at fair value through profit or loss (2)		
— Corporate loans and advances	3,675	4,074
Total	19,907,987	17,505,793
Accrued interest	53,792	46,968
Total loans and advances	19,961,779	17,552,761
Less: allowance for loans at amortised cost	(484,908)	(436,756)
Loans and advances to customers, net	19,476,871	17,116,005

(1) As at 31 December 2023, the allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income of the Group amounted to RMB390 million (31 December 2022: RMB485 million) and was credited to other comprehensive income.

(2) During the years ended 31 December 2023 and 2022, there were no significant movements in the fair value and accumulated fair value changes of corporate loans and advances measured at fair value through profit or loss that are attributable to changes in credit risk of these loans.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

17 Loans and advances to customers (Continued)

17.2 Analysis of loans and advances to customers (accrued interest excluded) by geographical area, customer type, industry, collateral type and analysis of impaired and overdue loans and advances to customers are presented in Note VI.2.5.

17.3 Reconciliation of allowance for impairment losses on loans and advances to customers

(1) Allowance for loans at amortised cost

	Year ended 31 December 2023			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	205,195	59,062	172,499	436,756
Transfers to Stage 1	9,763	(5,804)	(3,959)	–
Transfers to Stage 2	(4,261)	13,571	(9,310)	–
Transfers to Stage 3	(1,125)	(16,700)	17,825	–
Impairment (reversal)/losses of loans with stage transfers	(9,214)	31,443	49,286	71,515
Charge for the year (i)	99,690	17,345	28,929	145,964
Reversal for the year (ii)	(76,299)	(18,155)	(16,812)	(111,266)
Write-off and transfer out	–	–	(72,554)	(72,554)
Recovery of loans and advances written off	–	–	13,889	13,889
Foreign exchange and other movements	314	221	69	604
As at 31 December	224,063	80,983	179,862	484,908

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

17 Loans and advances to customers (Continued)

17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(1) Allowance for loans at amortised cost (Continued)

	Year ended 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	166,358	53,832	169,900	390,090
Transfers to Stage 1	6,481	(5,296)	(1,185)	–
Transfers to Stage 2	(2,234)	5,611	(3,377)	–
Transfers to Stage 3	(1,659)	(11,533)	13,192	–
Impairment (reversal)/losses of loans with stage transfers	(5,969)	18,943	41,851	54,825
Charge for the year [(i)]	93,067	14,787	22,827	130,681
Reversal for the year [(ii)]	(52,371)	(18,168)	(22,198)	(92,737)
Write-off and transfer out	(64)	–	(61,766)	(61,830)
Recovery of loans and advances written off	–	–	11,837	11,837
Foreign exchange and other movements	1,586	886	1,418	3,890
As at 31 December	205,195	59,062	172,499	436,756

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

17 Loans and advances to customers (Continued)

17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(2) Allowance for loans at fair value through other comprehensive income

	Year ended 31 December 2023			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	479	6	–	485
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the year (i)	355	5	–	360
Reversal for the year (ii)	(453)	(6)	–	(459)
Foreign exchange and other movements	4	–	–	4
As at 31 December	385	5	–	390

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

17 Loans and advances to customers (Continued)

17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(2) Allowance for loans at fair value through other comprehensive income (Continued)

	Year ended 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	374	77	–	451
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the year (i)	469	6	–	475
Reversal for the year (ii)	(374)	(77)	–	(451)
Foreign exchange and other movements	10	–	–	10
As at 31 December	479	6	–	485

(i) Charge for the year comprises impairment losses attributable to new loans granted, brought forward loans without stage transfers, as well as changes to model and risk parameters, during the year.

(ii) Reversal for the year comprises impairment losses attributable to loan repaid, brought forward loans without stage transfers, as well as changes to model and risk parameters, during the year.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

17 Loans and advances to customers (Continued)

17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

The Group enhanced its ECL models in 2023, which has no significant impact to the financial statements.

In 2023, the changes in gross carrying amounts of loans and advances to customers that have a significant impact on the Group's impairment allowance were mainly derived from the credit business in the Chinese mainland, including:

- The domestic branches performed regular reviews of the five-category loan classification grading and internal credit ratings on their loans and advances to customers. Loans with a gross carrying amount of RMB197,816 million (2022: RMB119,797 million) were transferred from Stage 1 to Stage 2 and Stage 3, and the impairment allowance increased correspondingly by RMB57,490 million (2022: RMB38,571 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB38,450 million (2022: RMB33,006 million), with a corresponding increase in impairment allowance of RMB12,759 million (2022: RMB11,398 million). The gross carrying amount of the loans transferred from Stage 2 to Stage 1 was RMB20,598 million (2022: RMB26,004 million), and the impairment allowance decreased correspondingly by RMB4,307 million (2022: RMB4,149 million). The gross carrying amount of loans transferred from Stage 3 to Stage 2 and Stage 1 was RMB20,930 million (2022: RMB6,015 million), and the impairment allowance decreased correspondingly by RMB7,966 million (2022: RMB2,553 million).

- During the year, the disposal of non-performing loans by domestic branches via write-off, transfer of creditor's rights and loans to equity conversion amounted to RMB49,558 million (2022: RMB53,303 million), resulting in a corresponding reduction of RMB48,648 million (2022: RMB47,718 million) in impairment allowance for Stage 3 loans.

- Through personal loan securitisation, the domestic branches transferred out loans of RMB13,810 million (2022: RMB18,556 million), resulting in a decrease of RMB10,518 million in the impairment allowance for Stage 3 loans (2022: RMB64 million and RMB5,586 million for Stage 1 and Stage 3 loans, respectively).

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

18 Financial investments

	As at 31 December	
	2023	**2022**
Financial assets at fair value through profit or loss		
Financial assets held for trading and other financial assets at fair value through profit or loss		
Debt securities		
Issuers in Chinese mainland		
— Government	31,540	36,485
— Public sectors and quasi-governments	205	285
— Policy banks	28,831	29,576
— Financial institutions	140,370	169,626
— Corporate	18,032	52,368
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	35,089	16,094
— Public sectors and quasi-governments	1,504	118
— Financial institutions	24,105	28,893
— Corporate	17,038	16,642
	296,714	350,087
Equity instruments	112,434	112,582
Fund investments and other	101,803	102,423
Total financial assets held for trading and other financial assets at fair value through profit or loss	510,951	565,092

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2023	**2022**
Financial assets at fair value through profit or loss (continued)		
Financial assets at fair value through profit or loss (designated)		
Debt securities [(1)]		
Issuers in Chinese mainland		
— Government	7,198	8,243
— Policy banks	84	53
— Financial institutions	8,455	8,929
— Corporate	1,633	296
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	2,389	21,158
— Public sectors and quasi-governments	572	470
— Financial institutions	6,358	4,183
— Corporate	12,781	4,681
	39,470	48,013
Total financial assets at fair value through profit or loss (designated)	39,470	48,013
Total financial assets at fair value through profit or loss	550,421	613,105

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2023	**2022**
Financial assets at fair value through other comprehensive income		
Debt securities		
Issuers in Chinese mainland		
— Government	1,303,244	877,513
— Public sectors and quasi-governments	92,260	96,113
— Policy banks	498,501	430,466
— Financial institutions	208,123	181,203
— Corporate	169,338	176,983
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	593,242	472,316
— Public sectors and quasi-governments	81,426	29,677
— Financial institutions	168,890	107,267
— Corporate	100,959	101,842
	3,215,983	2,473,380
Equity instruments and other[(2)]	32,130	26,836
Total financial assets at fair value through other comprehensive income[(3)]	3,248,113	2,500,216

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2023	**2022**
Financial assets at amortised cost		
Debt securities		
Issuers in Chinese mainland		
— Government[(4)(5)]	2,435,134	2,469,861
— Public sectors and quasi-governments	75,889	73,194
— Policy banks	197,520	158,855
— Financial institutions	43,645	55,060
— Corporate	12,668	21,693
— China Orient[(6)]	152,433	152,433
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions		
— Governments	194,020	178,204
— Public sectors and quasi-governments	119,169	94,515
— Financial institutions	70,788	66,163
— Corporate	10,285	8,778
	3,311,551	3,278,756
Investment trusts, asset management plans and other	23,761	17,853
Accrued interest	35,568	35,201
Less: allowance for impairment losses	(10,697)	(9,887)
Total financial assets at amortised cost	3,360,183	3,321,923
Total financial investments[(7)(8)(9)]	7,158,717	6,435,244

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

18 Financial investments (Continued)

	As at 31 December	
	2023	**2022**
Analysed as follows:		
Financial assets at fair value through profit or loss		
— Listed in Hong Kong, China	41,361	48,845
— Listed outside Hong Kong, China(10)	275,651	345,329
— Unlisted	233,409	218,931
Financial assets at fair value through other comprehensive income		
Debt securities		
— Listed in Hong Kong, China	159,280	146,360
— Listed outside Hong Kong, China(10)	2,502,199	1,894,720
— Unlisted	554,504	432,300
Equity instruments and other		
— Listed in Hong Kong, China	4,942	4,628
— Listed outside Hong Kong, China(10)	12,384	10,867
— Unlisted	14,804	11,341
Financial assets at amortised cost		
— Listed in Hong Kong, China	20,934	18,738
— Listed outside Hong Kong, China(10)	3,042,487	3,024,133
— Unlisted	296,762	279,052
Total	7,158,717	6,435,244
Listed in Hong Kong, China	226,517	218,571
Listed outside Hong Kong, China(10)	5,832,721	5,275,049
Unlisted	1,099,479	941,624
Total	7,158,717	6,435,244

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

18 Financial investments (Continued)

	As at 31 December			
	2023		2022	
	Carrying value	Market value	Carrying value	Market value
Debt securities at amortised cost				
— Listed in Hong Kong, China	20,934	20,384	18,738	17,446
— Listed outside Hong Kong, China(10)	3,042,487	3,131,874	3,024,133	3,070,548

(1) In order to eliminate or significantly reduce accounting mismatches, certain debt securities are designated as financial assets at fair value through profit or loss.

(2) The Group designates certain non-trading equity instrument investments as financial investments measured at FVOCI. Investments in equity instruments in this category are mainly financial institution-type investments. In 2023, dividend income from such equity investments was RMB643 million (2022: RMB729 million). The value of equity investments disposed of was RMB1,173 million (2022: RMB5,677 million) and the cumulative losses transferred into undistributed profits from other comprehensive income after disposal was RMB880 million (2022: cumulative losses of RMB990 million).

(3) The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 31 December 2023 amounted to RMB7,808 million (31 December 2022: RMB5,708 million).

(4) On 18 August 1998, a Special Purpose Treasury Bond was issued by the Ministry of Finance ("MOF") with a par value of RMB42,500 million maturing on 18 August 2028. This bond was originally issued with an annual coupon rate of 7.20% and its coupon rate was restructured to 2.25% per annum from 1 December 2004.

(5) The Bank underwrites certain Treasury bonds issued by the MOF and undertakes the role of a distributor of these Treasury bonds through its branch network earning commission income on bonds sold. The investors of these bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The balance of these bonds held by the Bank as at 31 December 2023 amounted to RMB1,265 million (31 December 2022: RMB1,449 million).

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

18 Financial investments (Continued)

(6) The Bank transferred certain non-performing assets to China Orient Asset Management Corporation ("China Orient") in 1999 and 2000 and China Orient issued a bond ("Orient Bond") with a par value of RMB160,000 million to the Bank as consideration. Based on the latest agreement, the Orient Bond will mature on 30 June 2025. The MOF shall continue to provide funding support for the principal and interest of the Orient Bond. The Bank received a notice from the MOF in January 2020, confirming that from 1 January 2020, the interest rate on the unpaid amounts will be verified year by year based on the rate of return of the five-year treasury bond of the previous year. As at 31 December 2023, the Bank had received early repayments of principal amounting to RMB7,567 million cumulatively.

(7) As at 31 December 2023, the Group held bonds issued by the MOF and bills issued by the PBOC included in financial investments. The carrying value (accrued interest excluded) and the related coupon rate range on such bonds and bills are as follows:

	As at 31 December	
	2023	**2022**
Carrying value (accrued interest excluded)	1,173,711	1,066,657
Coupon rate range	0.00%-5.31%	0.00%-5.31%

(8) Included in the Group's financial investments were certificates of deposit held amounting to RMB149,258 million as at 31 December 2023 (31 December 2022: RMB153,611 million).

(9) As at 31 December 2023, RMB3,957 million of debt securities measured at fair value through other comprehensive income and at amortised cost of the Group was determined to be impaired and was included under Stage 3 (31 December 2022: RMB3,193 million), with an impairment allowance of RMB3,295 million (31 December 2022: RMB2,441 million); RMB26,655 million of debt securities was included under Stage 2 (31 December 2022: RMB5,584 million), with an impairment allowance of RMB1,089 million (31 December 2022: RMB171 million); and the remaining debt securities were included under Stage 1, with impairment allowance measured based on 12-month expected credit losses.

(10) Debt securities traded in the Chinese mainland interbank bond market are included in "Listed outside Hong Kong, China".

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

18 Financial investments (Continued)

Reconciliation of allowance for impairment losses on financial investments at amortised cost:

	Year ended 31 December 2023			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	2,812	68	7,007	9,887
Transfers to Stage 2	(3)	3	–	–
Transfers to Stage 3	–	(13)	13	–
Impairment losses due to stage transfers	–	12	496	508
Impairment losses during the year	141	24	261	426
Foreign exchange and other movements	(142)	–	18	(124)
As at 31 December	2,808	94	7,795	10,697

	Year ended 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	2,126	2	7,550	9,678
Transfers to Stage 2	(25)	25	–	–
Transfers to Stage 3	(10)	(1)	11	–
Impairment losses due to stage transfers	–	43	264	307
Impairment losses/(reversal) during the year	757	–	(910)	(153)
Foreign exchange and other movements	(36)	(1)	92	55
As at 31 December	2,812	68	7,007	9,887

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

18 Financial investments (Continued)

Reconciliation of allowance for impairment losses on financial investments at fair value through other comprehensive income:

	Year ended 31 December 2023			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	5,305	103	300	5,708
Transfers to Stage 2	(150)	150	–	–
Impairment losses due to stage transfers	–	766	–	766
Impairment losses/(reversal) during the year	1,348	(22)	–	1,326
Foreign exchange and other movements	10	(2)	–	8
As at 31 December	6,513	995	300	7,808

	Year ended 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	5,771	4	500	6,275
Transfers to Stage 2	(40)	40	–	–
Impairment losses due to stage transfers	–	58	–	58
Impairment (reversal)/ losses during the year	(434)	1	(200)	(633)
Foreign exchange and other movements	8	–	–	8
As at 31 December	5,305	103	300	5,708

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

19 Investment in associates and joint ventures

	Year ended 31 December	
	2023	2022
As at 1 January	38,304	35,769
Additions	1,241	2,717
Disposals and transfer out	(150)	(281)
Share of results, net of tax	965	645
Dividends received	(835)	(850)
Exchange differences and other	25	304
As at 31 December	39,550	38,304

The carrying amounts of major investments in associates and joint ventures of the Group are as follows. Further details are disclosed in Note V.43.4.

	As at 31 December	
	2023	2022
China Insurance Investment Fund Co., Ltd.	12,196	11,889
BOC International (China) Co., Ltd.	5,762	5,484
Ying Kou Port Group CORP.	3,902	4,227
National Green Development Fund	1,828	1,800
CGN Phase I Private Equity Fund Company Limited	1,809	1,731
Shanghai Chenggang Real Estate Co., Ltd.	1,781	1,558
Sichuan Lutianhua Co., Ltd.	1,517	1,471
Graceful Field Worldwide Limited	1,446	1,531
Guomin Pension Insurance Co., Ltd.	1,035	1,002
Wkland Investments II Limited	853	842
Other	7,421	6,769
Total	39,550	38,304

As at 31 December 2023, there were no restrictions on associates and joint ventures to transfer funds to the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

20 Property and equipment

	Year ended 31 December 2023			
	Buildings	Equipment and motor vehicles	Aircraft	Total
Cost				
As at 1 January	128,609	76,543	166,450	371,602
Additions	332	5,405	6,751	12,488
Transfer from investment properties (Note V.22)	213	–	–	213
Construction in progress transfer in (Note V.21)	2,946	534	3,736	7,216
Deductions	(2,161)	(6,984)	(10,002)	(19,147)
Exchange differences	499	138	2,740	3,377
As at 31 December	130,438	75,636	169,675	375,749
Accumulated depreciation				
As at 1 January	(49,222)	(61,115)	(25,909)	(136,246)
Additions	(4,200)	(6,545)	(5,562)	(16,307)
Deductions	1,786	6,731	2,175	10,692
Transfer to investment properties (Note V.22)	24	–	–	24
Exchange differences	(164)	(123)	(459)	(746)
As at 31 December	(51,776)	(61,052)	(29,755)	(142,583)
Allowance for impairment losses				
As at 1 January	(727)	–	(7,853)	(8,580)
Additions	(1)	–	(62)	(63)
Deductions	8	–	2,720	2,728
Exchange differences	4	–	(120)	(116)
As at 31 December	(716)	–	(5,315)	(6,031)
Net book value				
As at 1 January	78,660	15,428	132,688	226,776
As at 31 December	77,946	14,584	134,605	227,135

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

20 Property and equipment (Continued)

	Year ended 31 December 2022			
	Buildings	Equipment and motor vehicles	Aircraft	Total
Cost				
As at 1 January	124,989	73,497	146,901	345,387
Additions	136	6,115	7,250	13,501
Transfer from investment properties (Note V.22)	406	–	–	406
Construction in progress transfer in (Note V.21)	2,690	520	9,054	12,264
Deductions	(1,613)	(4,188)	(10,046)	(15,847)
Exchange differences	2,001	599	13,291	15,891
As at 31 December	128,609	76,543	166,450	371,602
Accumulated depreciation				
As at 1 January	(45,518)	(58,364)	(20,022)	(123,904)
Additions	(4,056)	(6,290)	(5,289)	(15,635)
Deductions	887	4,030	1,367	6,284
Transfer to investment properties (Note V.22)	11	–	–	11
Exchange differences	(546)	(491)	(1,965)	(3,002)
As at 31 December	(49,222)	(61,115)	(25,909)	(136,246)
Allowance for impairment losses				
As at 1 January	(740)	–	(1,617)	(2,357)
Additions	–	–	(5,944)	(5,944)
Deductions	16	–	25	41
Exchange differences	(3)	–	(317)	(320)
As at 31 December	(727)	–	(7,853)	(8,580)
Net book value				
As at 1 January	78,731	15,133	125,262	219,126
As at 31 December	78,660	15,428	132,688	226,776

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

20 Property and equipment (Continued)

As at 31 December 2023, the net book amount of aircraft leased out by BOC Aviation Limited, a subsidiary of the Group, under operating leases was RMB134,605 million (31 December 2022: RMB132,688 million).

As at 31 December 2023, the net book amount of aircraft owned by BOC Aviation Limited, a subsidiary of the Group, that has been pledged for loan facilities was RMB689 million (31 December 2022: RMB4,783 million) (Note V.32).

According to the relevant PRC laws and regulations, after conversion into a joint stock limited liability company, the Bank is required to re-register its property and equipment under the name of Bank of China Limited. As at 31 December 2023, the process of re-registration has not been completed. However, this registration process does not affect the rights of Bank of China Limited to these assets.

The carrying value of buildings is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2023	**2022**
Held in Hong Kong, China		
on long-term lease (over 50 years)	4,232	4,155
on medium-term lease (10-50 years)	8,911	9,029
on short-term lease (less than 10 years)	–	–
Subtotal	13,143	13,184
Held outside Hong Kong, China		
on long-term lease (over 50 years)	6,664	6,208
on medium-term lease (10-50 years)	50,721	52,509
on short-term lease (less than 10 years)	7,418	6,759
Subtotal	64,803	65,476
Total	77,946	78,660

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

21 Construction in progress

	Year ended 31 December	
	2023	**2022**
Cost		
As at 1 January	19,840	27,192
Additions	8,043	6,663
Transfer to property and equipment (Note V.20)	(7,216)	(12,264)
Deductions	(284)	(3,320)
Exchange differences	171	1,569
As at 31 December	20,554	19,840
Allowance for impairment losses		
As at 1 January	(227)	(227)
Additions	–	–
Deductions	19	–
Exchange differences	–	–
As at 31 December	(208)	(227)
Net book value		
As at 1 January	19,613	26,965
As at 31 December	20,346	19,613

22 Investment properties

	Year ended 31 December	
	2023	**2022**
As at 1 January	23,311	19,554
Additions	200	2,995
Transfer to property and equipment, net (Note V.20)	(237)	(417)
Deductions	(273)	(58)
Fair value changes (Note V.5)	(632)	(7)
Exchange differences	335	1,244
As at 31 December	22,704	23,311

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

22 Investment properties (Continued)

The Group's investment properties are located in active real estate markets, and external appraisers make reasonable estimation of fair value using market prices of the same or similar properties and other related information from the real estate markets.

Investment properties are mainly held by Bank of China Hong Kong (Holdings) Limited ("BOCHK (Holdings)") and Bank of China Group Investment Limited ("BOCG Investment"), subsidiaries of the Group. The carrying values of investment properties held by BOCHK (Holdings) and BOCG Investment as at 31 December 2023 amounted to RMB10,089 million and RMB9,829 million, respectively (31 December 2022: RMB10,768 million and RMB9,764 million). The valuations of these investment properties as at 31 December 2023 were principally performed by Knight Frank Petty Limited based on the open market price and other related information.

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2023	**2022**
Held in Hong Kong, China		
on long-term lease (over 50 years)	3,019	3,103
on medium-term lease (10-50 years)	7,001	7,441
Subtotal	10,020	10,544
Held outside Hong Kong, China		
on long-term lease (over 50 years)	4,378	4,429
on medium-term lease (10-50 years)	7,153	7,633
on short-term lease (less than 10 years)	1,153	705
Subtotal	12,684	12,767
Total	22,704	23,311

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

23 Other assets

	As at 31 December	
	2023	**2022**
Accounts receivable and prepayments[1]	83,359	48,252
Insurance contract assets[2]	44,674	49,383
Right-of-use assets[3]	18,958	19,709
Intangible assets[4]	20,702	19,036
Land use rights[5]	5,713	5,770
Long-term deferred expense	3,556	3,425
Repossessed assets[6]	3,152	2,153
Goodwill[7]	2,685	2,651
Interest receivable	1,240	749
Other	36,871	30,264
Total	220,910	181,392

(1) Accounts receivable and prepayments

	As at 31 December	
	2023	**2022**
Accounts receivable and prepayments	87,984	52,916
Impairment allowance	(4,625)	(4,664)
Net value	83,359	48,252

Accounts receivable and prepayments mainly include items in the process of clearing and settlement. The analysis of the ageing of accounts receivable and prepayments is as follows:

	As at 31 December			
	2023		**2022**	
	Balance	**Impairment allowance**	**Balance**	**Impairment allowance**
Within 1 year	82,220	(372)	39,407	(195)
From 1 year to 3 years	1,296	(431)	4,877	(1,371)
Over 3 years	4,468	(3,822)	8,632	(3,098)
Total	87,984	(4,625)	52,916	(4,664)

(2) Insurance contracts assets comprise of the carrying amount of portfolios of insurance contracts issued and reinsurance contracts held that are assets.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

23 Other assets (Continued)

(3) Right-of-use assets

	Year ended 31 December					
	2023			2022		
	Buildings	Motor vehicles and other	Total	Buildings	Motor vehicles and other	Total
Cost						
As at 1 January	38,826	397	39,223	36,447	232	36,679
Additions	5,874	101	5,975	6,952	193	7,145
Deductions	(5,895)	(30)	(5,925)	(5,118)	(31)	(5,149)
Exchange differences	241	1	242	545	3	548
As at 31 December	39,046	469	39,515	38,826	397	39,223
Accumulated depreciation						
As at 1 January	(19,320)	(194)	(19,514)	(16,265)	(93)	(16,358)
Additions	(6,407)	(132)	(6,539)	(6,669)	(130)	(6,799)
Deductions	5,532	29	5,561	3,804	31	3,835
Exchange differences	(65)	–	(65)	(190)	(2)	(192)
As at 31 December	(20,260)	(297)	(20,557)	(19,320)	(194)	(19,514)
Net book value						
As at 1 January	19,506	203	19,709	20,182	139	20,321
As at 31 December	18,786	172	18,958	19,506	203	19,709

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

23 Other assets (Continued)

(4) Intangible assets

	Year ended 31 December	
	2023	**2022**
Cost		
As at 1 January	47,888	40,377
Additions	8,136	7,013
Deductions	(1,151)	(135)
Exchange differences	132	633
As at 31 December	55,005	47,888
Accumulated amortisation		
As at 1 January	(28,842)	(23,447)
Additions	(6,209)	(5,072)
Deductions	853	119
Exchange differences	(94)	(442)
As at 31 December	(34,292)	(28,842)
Allowance for impairment losses		
As at 1 January	(10)	–
Additions	(1)	(9)
Deductions	–	–
Exchange differences	–	(1)
As at 31 December	(11)	(10)
Net book value		
As at 1 January	19,036	16,930
As at 31 December	20,702	19,036

For the year ended 31 December 2023, the capitalised expenditure incurred by the Group on projects under development phase was RMB5,163 million and the total expenditure for projects which had reached their intended use during the year was RMB4,034 million. As at 31 December 2023, the total capitalised expenditure relating to projects under development phase was RMB8,677 million (31 December 2022: RMB7,546 million).

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

23 Other assets (Continued)

(5) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

	As at 31 December	
	2023	**2022**
Held outside Hong Kong, China		
on long-term lease (over 50 years)	54	56
on medium-term lease (10-50 years)	5,090	5,128
on short-term lease (less than 10 years)	569	586
Total	5,713	5,770

(6) Repossessed assets

As at 31 December 2023, the net book amount of repossessed assets was RMB3,152 million (31 December 2022: RMB2,153 million), mainly comprised properties. Related allowance for impairment was RMB828 million (31 December 2022: RMB886 million).

The total book value of repossessed assets disposed of during the year ended 31 December 2023 amounted to RMB644 million (2022: RMB232 million). The Group plans to dispose of the repossessed assets held at 31 December 2023 by auction, bidding or transfer.

(7) Goodwill

	Year ended 31 December	
	2023	**2022**
As at 1 January	2,651	2,481
Addition through acquisition of subsidiaries	–	–
Decrease resulting from disposal of subsidiaries	–	–
Exchange differences	34	170
As at 31 December	2,685	2,651

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,705 million).

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

24 Impairment allowance

	As at 1 January 2023	Additions/ (reversal), net	Write-off and transfer out	Exchange differences and other	As at 31 December 2023
Loans and advances to customers					
— at amortised cost	436,756	106,213	(59,611)	1,550	484,908
— at fair value through other comprehensive income	485	(99)	–	4	390
Subtotal	437,241	106,114	(59,611)	1,554	485,298
Financial investments					
— at amortised cost	9,887	934	–	(124)	10,697
— at fair value through other comprehensive income	5,708	2,092	–	8	7,808
Subtotal	15,595	3,026	–	(116)	18,505
Other	55,753	(2,578)	(4,438)	286	49,023
Total	508,589	106,562	(64,049)	1,724	552,826

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

24 Impairment allowance (Continued)

	As at 1 January 2022	Additions/ (reversal), net	Write-off and transfer out	Exchange differences and other	As at 31 December 2022
Loans and advances to customers					
— at amortised cost	390,090	92,769	(50,863)	4,760	436,756
— at fair value through other comprehensive income	451	24	–	10	485
Subtotal	390,541	92,793	(50,863)	4,770	437,241
Financial investments					
— at amortised cost	9,678	154	–	55	9,887
— at fair value through other comprehensive income	6,275	(575)	–	8	5,708
Subtotal	15,953	(421)	–	63	15,595
Other	43,760	11,587	(434)	840	55,753
Total	450,254	103,959	(51,297)	5,673	508,589

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

25 Due to banks and other financial institutions

	As at 31 December	
	2023	**2022**
Due to:		
Banks in Chinese mainland	419,953	409,250
Other financial institutions in Chinese mainland	1,552,016	1,506,452
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	208,620	248,486
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	56,632	69,920
Subtotal	2,237,221	2,234,108
Accrued interest	8,141	6,215
Total	2,245,362	2,240,323

26 Due to central banks

	As at 31 December	
	2023	**2022**
Due to central banks	1,226,588	909,223
Accrued interest	8,732	6,635
Total	1,235,320	915,858

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

27 Government certificates of indebtedness for bank notes issued and bank notes in circulation

Bank of China (Hong Kong) Limited ("BOCHK") and Bank of China Macau Branch are note issuing banks for Hong Kong Dollar and Macao Pataca notes in Hong Kong (China) and Macao (China), respectively. Under local regulations, these two entities are required to place deposits with the Hong Kong (China) and Macao (China) governments, respectively, to secure the currency notes in circulation.

Bank notes in circulation represent the liabilities in respect of Hong Kong Dollar notes and Macao Pataca notes in circulation, issued respectively by BOCHK and Bank of China Macau Branch.

28 Placements from banks and other financial institutions

	As at 31 December	
	2023	**2022**
Placements from:		
Banks in Chinese mainland	136,070	306,835
Other financial institutions in Chinese mainland	1,450	10,350
Banks in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	317,463	138,142
Other financial institutions in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	17,081	9,614
Subtotal	472,064	464,941
Accrued interest	2,913	1,394
Total(1)	474,977	466,335

(1) Included in "Placements from banks and other financial institutions" are amounts received from counterparties under repurchase agreements and collateral agreements as follows:

	As at 31 December	
	2023	**2022**
Repurchase debt securities(i)	86,693	137,894

(i) Debt securities used as collateral under repurchase agreements were principally government bonds and were included in the amount disclosed under Note V.41.2.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

29 Financial liabilities held for trading

As at 31 December 2023 and 2022, financial liabilities held for trading mainly included short position in debt securities.

30 Due to customers

	As at 31 December	
	2023	**2022**
Demand deposits		
— Corporate deposits	5,639,238	5,370,057
— Personal deposits	3,782,330	3,757,373
Subtotal	9,421,568	9,127,430
Time deposits		
— Corporate deposits	5,592,463	4,462,328
— Personal deposits	6,662,417	5,384,034
Subtotal	12,254,880	9,846,362
Structured deposits(1)		
— Corporate deposits	298,621	328,602
— Personal deposits	235,724	255,289
Subtotal	534,345	583,891
Certificates of deposit	310,212	290,082
Other deposits(2)	81,830	92,375
Subtotal due to customers	22,602,835	19,940,140
Accrued interest	304,215	261,685
Total(3)	22,907,050	20,201,825

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

30 Due to customers (Continued)

(1) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from its structured deposits. The Group designates certain structured deposits as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 31 December 2023, the carrying amount of these financial liabilities was RMB47,657 million (31 December 2022: RMB36,701 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 31 December 2023 and 2022 were not significant. For the years ended 31 December 2023 and 2022, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.

(2) Included in other deposits is special purpose funding, which represents long-term funding provided in multiple currencies by foreign governments and/or entities in the form of export credit, foreign government and other subsidised credit. The special purpose funding is normally used to finance projects with a special commercial purpose in the PRC as determined by the foreign governments or entities and the Group is obliged to repay the funding when it falls due.

As at 31 December 2023, the remaining maturity of special purpose funding ranges from 25 days to 30 years. The interest-bearing special purpose funding bears interest at floating and fixed rates ranging from 0.15% to 7.92% (31 December 2022: 0.15% to 7.92%). These terms are consistent with the related development loans granted to customers.

(3) Due to customers included margin deposits received by the Group as at 31 December 2023 of RMB585,801 million (31 December 2022: RMB471,382 million).

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

31 Bonds issued

	Issue date	Maturity date	Annual interest rate	As at 31 December 2023	As at 31 December 2022
Bonds issued at amortised cost					
Tier 2 capital bonds issued					
2014 US Dollar Debt Securities (1)	13 November 2014	13 November 2024	5.00%	21,231	20,862
2018 RMB Debt Securities First Tranche (2)	3 September 2018	5 September 2028	4.86%	–	39,984
2018 RMB Debt Securities Second Tranche (3)	9 October 2018	11 October 2028	4.84%	–	39,987
2019 RMB Debt Securities First Tranche 01 (4)	20 September 2019	24 September 2029	3.98%	29,990	29,990
2019 RMB Debt Securities First Tranche 02 (5)	20 September 2019	24 September 2034	4.34%	9,996	9,996
2019 RMB Debt Securities Second Tranche (6)	20 November 2019	22 November 2029	4.01%	29,993	29,992
2020 RMB Debt Securities First Tranche 01 (7)	17 September 2020	21 September 2030	4.20%	59,975	59,975
2020 RMB Debt Securities First Tranche 02 (8)	17 September 2020	21 September 2035	4.47%	14,994	14,994
2021 RMB Debt Securities First Tranche 01 (9)	17 March 2021	19 March 2031	4.15%	14,995	14,995
2021 RMB Debt Securities First Tranche 02 (10)	17 March 2021	19 March 2036	4.38%	9,996	9,996
2021 RMB Debt Securities Second Tranche 01 (11)	12 November 2021	16 November 2031	3.60%	39,989	39,989
2021 RMB Debt Securities Second Tranche 02 (12)	12 November 2021	16 November 2036	3.80%	9,997	9,997
2022 RMB Debt Securities First Tranche (13)	20 January 2022	24 January 2032	3.25%	29,993	29,992
2022 RMB Debt Securities Second Tranche 01 (14)	24 October 2022	26 October 2032	3.02%	44,993	44,993
2022 RMB Debt Securities Second Tranche 02 (15)	24 October 2022	26 October 2037	3.34%	14,998	14,998
2023 RMB Debt Securities First Tranche 01 (16)	20 March 2023	22 March 2033	3.49%	39,995	–

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

31 Bonds issued (Continued)

	Issue date	Maturity date	Annual interest rate	As at 31 December 2023	2022
2023 RMB Debt Securities First Tranche 02 (17)	20 March 2023	22 March 2038	3.61%	19,998	–
2023 RMB Debt Securities Second Tranche 01 (18)	19 September 2023	21 September 2033	3.25%	29,995	–
2023 RMB Debt Securities Second Tranche 02 (19)	19 September 2023	21 September 2038	3.37%	29,995	–
2023 RMB Debt Securities Third Tranche 01 (20)	19 October 2023	23 October 2033	3.43%	44,993	–
2023 RMB Debt Securities Third Tranche 02 (21)	19 October 2023	23 October 2038	3.53%	24,996	–
2023 RMB Debt Securities Fourth Tranche 01 (22)	1 December 2023	5 December 2033	3.30%	14,998	–
2023 RMB Debt Securities Fourth Tranche 02 (23)	1 December 2023	5 December 2038	3.37%	14,998	–
Subtotal (24)				551,108	410,740
Other bonds issued (25)					
US Dollar Debt Securities				192,057	195,391
RMB Debt Securities				221,829	190,939
Other				30,382	33,614
Subtotal				444,268	419,944
Negotiable certificates of deposit				794,294	699,468
Subtotal bonds issued at amortised cost				1,789,670	1,530,152
Bonds issued at fair value through profit or loss (26)				2,118	2,080
Subtotal bonds issued				1,791,788	1,532,232
Accrued interest				10,658	8,703
Total bonds issued (27)				1,802,446	1,540,935

(1) The Bank issued tier 2 capital bonds in an amount of USD3 billion on 13 November 2014. The bonds have a maturity of 10 years, with a fixed coupon rate of 5.00%.

(2) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 3 September 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.86%. The Bank is entitled to redeem the bonds at the end of the fifth year. The Bank has redeemed all the bonds in advance at face value on 5 September 2023.

(3) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 9 October 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.84%. The Bank is entitled to redeem the bonds at the end of the fifth year. The Bank has redeemed all the bonds in advance at face value on 11 October 2023.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

31 Bonds issued (Continued)

(4) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 September 2019. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.98%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(5) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 20 September 2019. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.34%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(6) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 November 2019. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.01%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(7) The Bank issued tier 2 capital bonds in an amount of RMB60 billion on 17 September 2020. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.20%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(8) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 September 2020. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.47%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(9) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 March 2021. The bonds have a maturity of 10 years with a fixed coupon rate of 4.15%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(10) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 17 March 2021. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.38%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(11) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 12 November 2021. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.60%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(12) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 12 November 2021. The bonds have a maturity of 15 years, with a fixed coupon rate of 3.80%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(13) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 January 2022. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.25%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(14) The Bank issued tier 2 capital bonds in an amount of RMB45 billion on 24 October 2022. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.02%. The Bank is entitled to redeem the bonds at the end of the fifth year.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

31 Bonds issued (Continued)

(15) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 24 October 2022. The bonds have a maturity of 15 years, with a fixed coupon rate of 3.34%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(16) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 20 March 2023. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.49%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(17) The Bank issued tier 2 capital bonds in an amount of RMB20 billion on 20 March 2023. The bonds have a maturity of 15 years, with a fixed coupon rate of 3.61%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(18) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 19 September 2023. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.25%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(19) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 19 September 2023. The bonds have a maturity of 15 years, with a fixed coupon rate of 3.37%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(20) The Bank issued tier 2 capital bonds in an amount of RMB45 billion on 19 October 2023. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.43%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(21) The Bank issued tier 2 capital bonds in an amount of RMB25 billion on 19 October 2023. The bonds have a maturity of 15 years, with a fixed coupon rate of 3.53%. The Bank is entitled to redeem the bonds at the end of the tenth year.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

31 Bonds issued (Continued)

(22) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 1 December 2023. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.30%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(23) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 1 December 2023. The bonds have a maturity of 15 years, with a fixed coupon rate of 3.37%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(24) The claims of the holders of tier 2 capital bonds will be subordinated to the claims of depositors and general creditors.

(25) US Dollar Debt Securities, RMB Debt Securities and other Debt Securities were issued in Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions between 2014 and 2023 by the Group, with dates of maturity ranging from 2024 to 2033.

(26) According to the Group's risk management policy, the Group enters into derivatives to hedge market risks arising from certain of its bonds issued. The Group designates certain bonds issued as financial liabilities at fair value through profit or loss, to eliminate or significantly reduce accounting mismatch. As at 31 December 2023, the carrying amount of the above-mentioned bonds issued by the Group was RMB2,118 million (31 December 2022: RMB2,080 million). The differences between the fair value and the amount that the Group would be contractually required to pay to the holders as at 31 December 2023 and 2022 were not significant. In the years of 2023 and 2022, there was no significant change in the Group's credit risk nor changes in the fair value of these financial liabilities as a result.

(27) During the years ended 31 December 2023 and 2022, the Group did not default on any principal, interest or redemption amounts with respect to its bonds issued.

32 Other borrowings

These other borrowings relate to the financing of the aircraft leasing business of BOC Aviation Limited, a subsidiary of the Group, and are secured by its aircraft (Note V.20).

As at 31 December 2023, these other borrowings had a remaining maturity ranging from 2 days to 5 years and borne floating and fixed interest rates ranging from 6.26% to 6.47% (31 December 2022: 4.02% to 6.03%).

During the years ended 31 December 2023 and 2022, the Group did not default on any principal, interest or redemption amounts with respect to its other borrowings.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

33 Current tax liabilities

	As at 31 December	
	2023	**2022**
Corporate income tax	51,180	50,192
Value-added tax	6,476	6,965
City construction and maintenance tax	647	554
Education surcharges	269	325
Other	731	921
Total	59,303	58,957

34 Retirement benefit obligations

As at 31 December 2023, the actuarial liabilities existing in relation to the retirement benefit obligations for employees who retired prior to 31 December 2003 and the early retirement obligations for employees who early-retired were RMB1,589 million (31 December 2022: RMB1,713 million) and RMB87 million (31 December 2022: RMB129 million), respectively, using the projected unit credit method.

The movements of the net liabilities recognised are as follows:

	Year ended 31 December	
	2023	**2022**
As at 1 January	1,842	2,095
Interest cost	48	54
Net actuarial gains recognised	(41)	(94)
Benefits paid	(173)	(213)
As at 31 December	1,676	1,842

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

34 Retirement benefit obligations (Continued)

Primary assumptions used:

	As at 31 December	
	2023	**2022**
Discount rate		
— Normal retiree	2.50%	2.75%
— Early retiree	2.25%	2.50%
Pension benefit inflation rate		
— Normal retiree	3.0%	3.0%
— Early retiree	3.0%	3.0%
Medical benefit inflation rate	8.0%	8.0%
Retiring age		
— Male	60	60
— Female	50/55	50/55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

As at 31 December 2023 and 2022, there was no significant change in employee retirement benefit obligations that was attributable to changes in actuarial assumptions.

35 Share appreciation rights plan

In November 2005, the Bank's Board of Directors and equity holders approved and adopted a Share Appreciation Rights Plan under which eligible participants, including directors, supervisors, management and other personnel designated by the Board, will be granted share appreciation rights, up to 25% of which will be exercisable each year beginning on the third anniversary date from the date of grant. The share appreciation rights will be valid for seven years from the date of grant. Eligible participants will be entitled to receive an amount equal to the difference, if any, between the average closing market price of the Bank's H shares in the ten days prior to the date of grant and the average closing market price of the Bank's H shares in the 12 months prior to the date of exercise as adjusted for any change in the Bank's equity. The plan provides cash-settled share-based payment only and accordingly, no shares will be issued under the share appreciation rights plan.

No share appreciation rights were granted since the inception of the plan.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

36 Deferred income taxes

36.1 The table below includes the deferred income tax assets and liabilities of the Group after offsetting qualifying amounts and the related temporary differences.

	As at 31 December			
	2023		2022	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets	296,050	75,156	278,548	71,139
Deferred income tax liabilities	(55,920)	(7,397)	(53,467)	(6,804)
Net	240,130	67,759	225,081	64,335

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

36 Deferred income taxes (Continued)

36.2 Deferred income tax assets/liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at 31 December			
	2023		2022	
	Temporary differences	Deferred tax assets/ (liabilities)	Temporary differences	Deferred tax assets/ (liabilities)
Deferred income tax assets				
Asset impairment allowances	319,479	79,510	306,972	76,005
Pension, retirement benefits and salary payables	37,502	9,359	32,054	7,992
Financial instruments at fair value through profit or loss and derivative financial instruments	125,953	31,396	106,246	26,171
Financial assets at fair value through other comprehensive income	13,009	2,780	21,919	4,868
Other temporary differences	73,198	16,387	52,382	11,906
Subtotal	569,141	139,432	519,573	126,942
Deferred income tax liabilities				
Financial instruments at fair value through profit or loss and derivative financial instruments	(126,838)	(31,581)	(137,985)	(34,253)
Financial assets at fair value through other comprehensive income	(47,421)	(11,652)	(24,777)	(6,194)
Depreciation and amortisation	(46,905)	(5,820)	(46,251)	(5,378)
Revaluation of investment properties	(10,933)	(2,104)	(10,369)	(1,955)
Other temporary differences	(96,914)	(20,516)	(75,110)	(14,827)
Subtotal	(329,011)	(71,673)	(294,492)	(62,607)
Net	240,130	67,759	225,081	64,335

As at 31 December 2023, deferred tax liabilities relating to temporary differences of RMB214,236 million associated with the Group's investments in subsidiaries have not been recognised (31 December 2022: RMB199,915 million). Refer to Note II.19.2.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

36 Deferred income taxes (Continued)

36.3 Movements of the deferred income tax are as follows:

	Year ended 31 December	
	2023	**2022**
As at 1 January	64,335	44,693
Credited to the income statement (Note V.10)	10,599	13,288
(Charged)/credited to other comprehensive income	(7,012)	6,343
Other	(163)	11
As at 31 December	67,759	64,335

36.4 Breakdowns of deferred income tax credit/(charge) in the income statement are as follows:

	Year ended 31 December	
	2023	**2022**
Asset impairment allowances	3,505	7,629
Financial instruments at fair value through profit or loss and derivative financial instruments	7,897	2,455
Pension, retirement benefits and salary payables	1,367	1,754
Other temporary differences	(2,170)	1,450
Total	10,599	13,288

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

37 Other liabilities

	As at 31 December	
	2023	**2022**
Insurance contract liabilities	257,625	222,939
Items in the process of clearance and settlement	63,547	67,875
Salary and welfare payables (1)	52,117	46,657
Lease liabilities (2)	18,797	19,621
Provision (3)	31,776	32,844
Deferred income	6,865	6,579
Other	81,431	89,339
Total	512,158	485,854

(1) Salary and welfare payables

	As at 1 January 2023	Accrual	Payment	As at 31 December 2023
Salary, bonus and subsidy	38,842	76,250	(70,253)	44,839
Staff welfare	–	4,871	(4,871)	–
Social insurance				
— Medical	1,358	4,388	(4,269)	1,477
— Pension	257	6,914	(6,922)	249
— Annuity	12	4,114	(4,116)	10
— Unemployment	7	245	(246)	6
— Injury at work	2	98	(97)	3
— Maternity insurance	3	119	(118)	4
Housing funds	51	5,451	(5,441)	61
Labour union fee and staff education fee	5,374	1,911	(2,315)	4,970
Reimbursement for cancellation of labour contract	25	21	(31)	15
Other	726	5,437	(5,680)	483
Total (i)	46,657	109,819	(104,359)	52,117

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

37 Other liabilities (Continued)

(1) Salary and welfare payables (Continued)

	As at 1 January 2022	Accrual	Payment	As at 31 December 2022
Salary, bonus and subsidy	31,051	72,158	(64,367)	38,842
Staff welfare	–	5,017	(5,017)	–
Social insurance				
— Medical	1,525	3,690	(3,857)	1,358
— Pension	230	6,420	(6,393)	257
— Annuity	10	3,829	(3,827)	12
— Unemployment	6	216	(215)	7
— Injury at work	2	86	(86)	2
— Maternity insurance	3	109	(109)	3
Housing funds	30	5,117	(5,096)	51
Labour union fee and staff education fee	6,126	1,152	(1,904)	5,374
Reimbursement for cancellation of labour contract	23	25	(23)	25
Other	679	4,908	(4,861)	726
Total [(i)]	39,685	102,727	(95,755)	46,657

(i) There was no overdue payment for staff salary and welfare payables as at 31 December 2023 and 2022.

(2) Lease liabilities

The Group's lease liabilities are analysed by the maturity date – undiscounted analysis

	As at 31 December	
	2023	2022
Less than 1 year	6,585	6,257
Between 1 to 5 years	10,297	10,740
Over 5 years	7,656	8,507
Undiscounted lease liabilities	24,538	25,504
Lease liabilities	18,797	19,621

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

37 Other liabilities (Continued)

(3) Provision

	As at 31 December	
	2023	**2022**
Allowance for credit commitments [i]	30,917	31,602
Allowance for litigation losses (Note V.41.1)	859	1,242
Total	31,776	32,844

Movements of the provision are as follows:

	Year ended 31 December	
	2023	**2022**
As at 1 January	32,844	26,343
(Reversal)/losses for the year	(808)	6,199
Utilised during the year	(374)	(63)
Exchange differences and other	114	365
As at 31 December	31,776	32,844

(i) Allowance for credit commitments is measured using the ECL model. Credit commitments were mainly under Stage 1, and the transfers in balance between stages were not significant during the years ended 31 December 2023 and 2022.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

38 Share capital, capital reserve and other equity instruments

38.1 Share capital

The Bank's share capital is as follows:

Unit: Share

	As at 31 December	
	2023	**2022**
Domestic listed A shares, par value of RMB1.00 per share	210,765,514,846	210,765,514,846
Overseas listed H shares, par value of RMB1.00 per share	83,622,276,395	83,622,276,395
Total	294,387,791,241	294,387,791,241

All A and H shares rank pari passu with the same rights and benefits.

38.2 Capital reserve

	As at 31 December	
	2023	**2022**
Share premium	133,632	133,634
Other capital reserve	2,104	2,125
Total	135,736	135,759

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

38 Share capital, capital reserve and other equity instruments (Continued)

38.3 Other equity instruments

For the year ended 31 December 2023, the movements in the Bank's other equity instruments were as follows:

	As at 1 January 2023		Increase/(decrease)		As at 31 December 2023	
	Quantity (million shares)	Issue amount	Quantity (million shares)	Issue amount	Quantity (million shares)	Issue amount
Preference Shares						
Domestic Preference Shares (Third Tranche) (1)	730.0	73,000	–	–	730.0	73,000
Domestic Preference Shares (Fourth Tranche) (2)	270.0	27,000	–	–	270.0	27,000
Offshore Preference Shares (Second Tranche) (3)	197.9	19,787	–	–	197.9	19,787
Subtotal	1,197.9	119,787	–	–	1,197.9	119,787
Perpetual Bonds						
2019 Undated Capital Bonds (Series 1) (4)		40,000		–		40,000
2020 Undated Capital Bonds (Series 1) (5)		40,000		–		40,000
2020 Undated Capital Bonds (Series 2) (6)		30,000		–		30,000
2020 Undated Capital Bonds (Series 3) (7)		20,000		–		20,000
2021 Undated Capital Bonds (Series 1) (8)		50,000		–		50,000
2021 Undated Capital Bonds (Series 2) (9)		20,000		–		20,000
2022 Undated Capital Bonds (Series 1) (10)		30,000		–		30,000
2022 Undated Capital Bonds (Series 2) (11)		20,000		–		20,000
2023 Undated Capital Bonds (Series 1) (12)		–		30,000		30,000
Subtotal		250,000		30,000		280,000
Total		369,787		30,000		399,787

As at 31 December 2023, the transaction costs of outstanding other equity instruments issued by the bank were RMB110 million (31 December 2022: RMB108 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

38 Share capital, capital reserve and other equity instruments (Continued)

38.3 Other equity instruments (Continued)

(1) With the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares on 24 June 2019, in the aggregate par value of RMB73 billion. Each Domestic Preference Share has a par value of RMB100 and 730 million Domestic Preference Shares were issued in total. The dividend rate of the shares for the first five years is 4.50% (pre-tax), which is reset every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and the prior approval of the relevant regulatory authorities, the Bank may at its discretion redeem all or part of the Domestic Preference Shares after 27 June 2024 at the redemption price representing the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

(2) With the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares on 26 August 2019, in the aggregate par value of RMB27 billion. Each Domestic Preference Share has a par value of RMB100 and 270 million Domestic Preference Shares were issued in total. The dividend rate of the shares for the first five years is 4.35% (pre-tax), which is reset every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and the prior approval of the relevant regulatory authorities, the Bank may at its discretion redeem all or part of the Domestic Preference Shares after 29 August 2024 at the redemption price representing the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

(3) With the approvals by the relevant regulatory authorities in China, the Bank issued the US Dollar settled non-cumulative Offshore Preference Shares on 4 March 2020. Each Offshore Preference Share has a par value of RMB100 and 197,865,300 Offshore Preference Shares were issued in total. The aggregate par value of the Offshore Preference Shares is USD2.820 billion as converted into USD using the fixed exchange rate (USD1.00 to RMB7.0168). The initial annual dividend rate is 3.60% (after tax) and is subject to reset per agreement, but in no case shall exceed 12.15%. The dividends are calculated and paid in US Dollars.

The Offshore Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and the prior approval of the relevant regulatory authorities, the Bank may at its discretion redeem all or part of the Offshore Preference Shares on 4 March 2025 or any dividend payment date thereafter at the redemption price representing the sum of the par value of the Offshore Preference Shares and the dividends declared but not yet distributed, as calculated and paid in US Dollars.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

38 Share capital, capital reserve and other equity instruments (Continued)

38.3 Other equity instruments (Continued)

Save for such dividend at the agreed dividend payout ratio, the holders of the above preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The above preference shares bear non-cumulative dividends. The Bank shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not constitute a default. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full payment of dividends on the preference shares. Upon the occurrence of a triggering event for the compulsory conversion of preference shares into ordinary shares in accordance with the agreement, the Bank shall convert the preference shares into ordinary shares in whole or in part after reporting to the relevant regulatory authorities for its examination and approval decision. As at 31 December 2023, the above preference shares have not been converted to ordinary shares.

Funding raised from the issuance of the above preference shares was fully used to replenish the Bank's capital and to increase its capital adequacy ratio.

(4) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB40,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 25 January 2019 and completed the issuance on 29 January 2019. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.50%, which is reset every 5 years.

(5) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB40,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 28 April 2020 and completed the issuance on 30 April 2020. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.40%, which is reset every 5 years.

(6) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB30,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 13 November 2020 and completed the issuance on 17 November 2020. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.55%, which is reset every 5 years.

(7) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB20,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 10 December 2020 and completed the issuance on 14 December 2020. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.70%, which is reset every 5 years.

(8) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB50,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 17 May 2021 and completed the issuance on 19 May 2021. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 4.08%, which is reset every 5 years.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

38 Share capital, capital reserve and other equity instruments (Continued)

38.3 Other equity instruments (Continued)

(9) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB20,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 25 November 2021 and completed the issuance on 29 November 2021. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.64%, which is reset every 5 years.

(10) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB30,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 8 April 2022 and completed the issuance on 12 April 2022. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.65%, which is reset every 5 years.

(11) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB20,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 26 April 2022 and completed the issuance on 28 April 2022. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.65%, which is reset every 5 years.

(12) With the approvals by the relevant regulatory authorities in China, the Bank issued RMB30,000 million write-down undated capital bonds in the Chinese mainland interbank bond market on 14 June 2023 and completed the issuance on 16 June 2023. The denomination of the bonds is RMB100 each, and the annual interest rate of the bonds for the first five years is 3.27%, which is reset every 5 years.

The above perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the relevant regulatory authorities, the Bank may redeem these bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance. Upon the occurrence of a triggering event for the write-downs, with the consent of the relevant regulatory authorities and without the need for the consent of the holders of the above bonds, the Bank has the right to write down the principal amount of the above bonds issued and existing at that time in whole or in part, in accordance with the outstanding principal amount of the bonds. The claims in respect of the above bonds, in the event of a winding-up of the Bank, will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to these bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with these bonds.

The above bonds bear non-cumulative interest and the Bank shall have the right to cancel distributions on these bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilise the proceeds from the cancelled distributions to meet other obligations of maturing debts. The Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment to the holders of these bonds.

Funding raised from the issuance of these bonds was fully used to replenish the Bank's capital and to increase its capital adequacy ratio.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

38 Share capital, capital reserve and other equity instruments (Continued)

38.3 Other equity instruments (Continued)

Interests attributable to the holders of equity instruments

	As at 31 December	
	2023	**2022**
Total equity attributable to equity holders of the Bank	2,629,510	2,423,973
— Equity attributable to ordinary shareholders of the Bank	2,230,005	2,054,468
— Equity attributable to other equity holders of the Bank	399,505	369,505
Total equity attributable to non-controlling interests	127,305	139,328
— Equity attributable to non-controlling interests of ordinary shares	120,712	112,076
— Equity attributable to non-controlling interests of other equity instruments	6,593	27,252

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

39 Statutory reserves, general and regulatory reserves and undistributed profits

39.1 Statutory reserves

Under relevant PRC laws, the Bank is required to appropriate 10% of its net profit to non-distributable statutory surplus reserves. The appropriation to the statutory surplus reserves may cease when such reserves has reached 50% of the share capital. Subject to the approval of the Annual General Meeting, the statutory surplus reserves can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserves amount used to increase the share capital is limited to a level where the statutory surplus reserves after such capitalisation is not less than 25% of the share capital.

According to the profit distribution plan approved by the Board of Directors on 28 March 2024, the Bank appropriated 10% of the net profit for the year ended 31 December 2023 to the statutory surplus reserves, amounting to RMB20,824 million (2022: RMB20,494 million).

In addition, some operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions are required to appropriate certain percentages of their net profits to the statutory surplus reserves as stipulated by local banking authorities.

39.2 General and regulatory reserves

According to Caijin [2012] No. 20 *Requirements on Impairment Allowance for Financial Institutions* (the "Requirement"), issued by the MOF, in addition to the impairment allowance, the Bank establishes a general reserve to address unidentified potential impairment losses. The general reserve as a distribution of profits, being part of the equity, should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement, and the minimum threshold can be accumulated over a period of no more than five years.

According to the profit distribution plan approved by the Board of Directors on 28 March 2024, the Bank appropriated RMB40,468 million to the general reserve for the year ended 31 December 2023 (2022: RMB32,264 million).

The regulatory reserve mainly refers to the reserve amount set aside by BOC Hong Kong (Group) Limited ("BOCHK Group"), a subsidiary of the Group, for general banking risks, including future losses or other unforeseeable risks. As at 31 December 2023 and 2022, the reserve amounts set aside by BOCHK Group were RMB4,939 million and RMB4,186 million, respectively.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

39 Statutory reserves, general and regulatory reserves and undistributed profits (Continued)

39.3 Dividends

Dividends for Ordinary Shares

Ordinary share cash dividend of RMB68,298 million (pre-tax) in respect of the profit for the year ended 31 December 2022 was approved by the shareholders of the Bank at the Annual General Meeting held on 30 June 2023 and was distributed during the year.

Ordinary share cash dividend of RMB2.364 per ten shares (pre-tax) in respect of the profit for the year ended 31 December 2023 (2022: RMB2.32 per ten shares), amounting to a total dividend of RMB69,593 million (pre-tax), based on the number of shares issued as at 31 December 2023 will be proposed for approval at the forthcoming 2023 Annual General Meeting and the dividend payable is not reflected in the liabilities of the financial statements.

Dividends for Preference Shares

Dividend distributions of Domestic Preference Shares (Third Tranche and Fourth Tranche) and Offshore Preference Shares (Second Tranche) were approved by the Board of Directors of the Bank at the Board Meeting held on 28 April 2023. Dividend of Domestic Preference Shares (Third Tranche) amounting to RMB3,285 million (pre-tax) was distributed on 27 June 2023. Dividend of Domestic Preference Shares (Fourth Tranche) amounting to RMB1,174.5 million (pre-tax) was distributed on 29 August 2023. Dividend of Offshore Preference Shares (Second Tranche) amounting to USD101.5 million (after tax) was distributed on 4 March 2024 and was recorded in “Other liabilities” as at 31 December 2023.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

39 Statutory reserves, general and regulatory reserves and undistributed profits (Continued)

39.3 Dividends (Continued)

Interest on Perpetual Bonds

The Bank distributed interest on the 2019 Undated Capital Bonds (Series 1) amounting to RMB1,800 million on 29 January 2023.

The Bank distributed interest on the 2022 Undated Capital Bonds (Series 1) amounting to RMB1,095 million on 12 April 2023.

The Bank distributed interest on the 2022 Undated Capital Bonds (Series 2) amounting to RMB730 million on 28 April 2023.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 1) amounting to RMB1,360 million on 4 May 2023.

The Bank distributed interest on the 2021 Undated Capital Bonds (Series 1) amounting to RMB2,040 million on 19 May 2023.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 2) amounting to RMB1,365 million on 17 November 2023.

The Bank distributed interest on the 2021 Undated Capital Bonds (Series 2) amounting to RMB728 million on 29 November 2023.

The Bank distributed interest on the 2020 Undated Capital Bonds (Series 3) amounting to RMB940 million on 14 December 2023.

40 Non-controlling interests

Non-controlling interests of the subsidiaries of the Group are as follows:

	As at 31 December	
	2023	**2022**
BOC Hong Kong (Group) Limited	91,000	103,926
Tai Fung Bank Limited	12,400	13,195
Bank of China Group Investment Limited	12,776	12,254
Other	11,129	9,953
Total	127,305	139,328

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

41 Contingent liabilities and commitments

41.1 Legal proceedings and arbitrations

As at 31 December 2023, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In the Group's regular business operations in different countries and regions across the world, given the range and scale of its international presence, the Group may be involved in a variety of litigation, arbitration and judicial proceedings within different jurisdictions, and the ultimate outcomes of these proceedings involve various levels of uncertainty. Management makes provisions for potential losses that may arise from these uncertainties based on assessments of potential liabilities, courts' judgements or the opinions of legal counsel, and as at 31 December 2023, the balance of the provisions was RMB859 million (31 December 2022: RMB1,242 million), as disclosed in Note V.37. Based upon the opinions of internal and external legal counsels, senior management of the Group believes that, at the current stage, these matters will not have a material impact on the financial position or operating results of the Group. Should the ultimate outcomes of these matters differ from the initially estimated amounts, such differences will impact the profit or loss in the period during which such a determination is made.

41.2 Assets pledged

Assets pledged by the Group as collateral mainly for placement, repurchase, short positions, derivative transactions with other banks and financial institutions and for local statutory requirements are set forth in the table below. These transactions are conducted under standard and normal business terms.

	As at 31 December	
	2023	**2022**
Debt securities	1,450,062	1,084,236
Bills	638	281
Total	1,450,700	1,084,517

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

41 Contingent liabilities and commitments (Continued)

41.3 Collateral accepted

The Group accepts securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase and derivative agreements with banks and other financial institutions. As at 31 December 2023, the fair value of collateral received from banks and other financial institutions and accepted by the Group amounted to RMB23,498 million (31 December 2022: RMB130,147 million). As at 31 December 2023, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB665 million (31 December 2022: RMB761 million). These transactions are conducted under standard terms in the normal course of business.

41.4 Capital commitments

(1) Long-term assets

	As at 31 December	
	2023	**2022**
Property and equipment		
— Contracted but not provided for	90,133	82,420
— Authorised but not contracted for	4,198	2,124
Intangible assets		
— Contracted but not provided for	4,414	3,455
— Authorised but not contracted for	65	264
Investment properties and others		
— Contracted but not provided for	552	504
Total	99,362	88,767

(2) Acquisition of China Construction Bank (Brasil) Banco Múltiplo S/A

As at 31 December 2023, the Group is committed to acquire a controlling stake in the shareholding in China Construction Bank (Brasil) Banco Multiplo S/A ("CCB Brasil") based on a share purchase agreement signed with China Construction Bank Corporation. The Group is required to pay CCB Brazil Financial Holding – Investimentos e Participações Ltda. BRL564 million (equivalent to approximately RMB817 million) as the consideration for the existing CCB Brasil shares and BRL540 million (equivalent to approximately RMB764 million) to subscribe for certain new shares to be issued by CCB Brasil. The completion of transaction depends on the fulfilment of all prescribed conditions stated in the share purchase agreement. The transaction was completed on 31 January 2024 (Note V.50).

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

41 Contingent liabilities and commitments (Continued)

41.5 Operating leases

The Group acts as lessor in operating leases principally through aircraft leasing undertaken by its subsidiary BOC Aviation Limited. Under irrevocable operating lease contracts, the minimum lease payments which will be received by the Group under the operating leases for existing aircraft and aircraft yet to be delivered amounted to:

	As at 31 December	
	2023	**2022**
Less than 1 year	14,406	13,648
Between 1 to 2 years	14,347	14,327
Between 2 to 3 years	13,940	13,565
Between 3 to 4 years	13,217	12,816
Between 4 to 5 years	12,865	12,060
Over 5 years	45,727	51,028
Total	114,502	117,444

41.6 Treasury bonds redemption commitments

The Bank is entrusted by the MOF to underwrite certain Treasury bonds. The investors of these Treasury bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The MOF will not provide funding for the early redemption of these Treasury bonds on a back-to-back basis but will pay interest and repay the principal at maturity. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 31 December 2023, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB42,677 million (31 December 2022: RMB45,563 million). The original maturities of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption through the Bank prior to the maturity dates of these bonds will not be material.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

41 Contingent liabilities and commitments (Continued)

41.7 Credit commitments

	As at 31 December	
	2023	**2022**
Loan commitments [1]		
— with an original maturity of less than 1 year	492,790	394,771
— with an original maturity of 1 year or above	2,952,967	2,430,689
Undrawn credit card limits	1,027,823	1,067,259
Letters of guarantee issued [2]		
— Financing letters of guarantee	33,692	48,176
— Non-financing letters of guarantee	1,164,180	1,140,893
Bank bill acceptance	649,385	574,425
Letters of credit issued		
— Sight letters of credit	107,952	90,646
— Usance letters of credit	51,083	56,048
Accepted bills of exchange under letters of credit	61,279	79,362
Other	253,054	275,670
Total [3]	6,794,205	6,157,939

(1) Loan commitments mainly represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at 31 December 2023, the unconditionally revocable loan commitments of the Group amounted to RMB475,271 million (31 December 2022: RMB380,483 million).

(2) The obligations on the Group to make payments are dependent on the outcome of a future event.

(3) Risk-weighted assets for credit risk of credit commitments

The risk-weighted assets for credit risk of the Group are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations under the advanced capital measurement approaches. The amounts are determined by the creditworthiness of the counterparties, the maturity characteristics of each type of contracts and other factors.

	As at 31 December	
	2023	**2022**
Credit commitments	1,355,511	1,325,999

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

41 Contingent liabilities and commitments (Continued)

41.8 Underwriting obligations

As at 31 December 2023, there was no firm commitment in underwriting securities of the Group (31 December 2022: nil).

42 Note to the consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with an original maturity of less than three months:

	As at 31 December	
	2023	**2022**
Cash and due from banks and other financial institutions	483,116	640,003
Balances with central banks	1,257,651	758,494
Placements with and loans to banks and other financial institutions	528,317	504,145
Financial investments	247,641	188,824
Total	2,516,725	2,091,466

43 Related party transactions

43.1 CIC was established on 29 September 2007 with registered capital of RMB1,550 billion. CIC is a wholly state-owned company engaging in foreign currency investment management. The Group is subject to the control of the State Council of the PRC Government through CIC and its wholly owned subsidiary, Huijin.

The Group entered into banking transactions with CIC in the normal course of its business on commercial terms.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

43 Related party transactions (Continued)

43.2 Transactions with Huijin and companies under Huijin

(1) General information of Huijin

Central Huijin Investment Ltd.

Legal representative	PENG Chun
Registered capital	RMB828,209 million
Location of registration	Beijing
Capital shares in the Bank	64.13%
Voting rights in the Bank	64.13%
Nature	Wholly State-owned company
Principal activities	Investment in major State-owned financial institutions on behalf of the State Council; other related businesses approved by the State Council.
Unified social credit code	911000007109329615

(2) Transactions with Huijin

The Group enters into banking transactions with Huijin in the normal course of its business on commercial terms. Purchase of the bonds issued by Huijin was in the normal course of business and in compliance with the requirements of the related regulations and corporate governance.

Transaction balances

	As at 31 December	
	2023	**2022**
Investment in debt securities	25,257	20,783
Placements with Huijin	12,000	14,000
Due to Huijin	(14,842)	(8,001)

Transaction amounts

	Year ended 31 December	
	2023	**2022**
Interest income	888	881
Interest expense	(166)	(430)

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

43 Related party transactions (Continued)

43.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin

Companies under Huijin include its equity interests in subsidiaries, associates and joint ventures in certain other bank and non-bank entities in the PRC. The Group enters into banking transactions with these companies in the normal course of business on commercial terms which include mainly purchase and sale of debt securities, money market transactions and derivative transactions.

In the normal course of business, main transactions that the Group entered into with the affiliates of Huijin are as follows:

Transaction balances

	As at 31 December	
	2023	**2022**
Due from banks and other financial institutions	138,515	173,096
Placements with and loans to banks and other financial institutions	214,458	211,275
Financial investments	566,220	522,111
Derivative financial assets	9,354	10,347
Loans and advances to customers	82,169	80,993
Due to customers, banks and other financial institutions	(595,608)	(356,333)
Placements from banks and other financial institutions	(157,657)	(201,668)
Derivative financial liabilities	(10,537)	(10,118)
Credit commitments	39,725	50,353

Transaction amounts

	Year ended 31 December	
	2023	**2022**
Interest income	24,686	17,249
Interest expense	(16,782)	(9,568)

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

43 Related party transactions (Continued)

43.2 Transactions with Huijin and companies under Huijin (Continued)

(3) Transactions with companies under Huijin (Continued)

Interest rate ranges

	Year ended 31 December	
	2023	**2022**
Due from banks and other financial institutions	0.00%-10.82%	0.00%-10.07%
Placements with and loans to banks and other financial institutions	-0.18%-23.00%	-0.49%-23.00%
Financial investments	0.00%-6.83%	0.00%-5.98%
Loans and advances to customers	0.90%-6.82%	0.15%-6.00%
Due to customers, banks and other financial institutions	0.00%-6.45%	-0.50%-5.47%
Placements from banks and other financial institutions	-0.25%-8.33%	-0.51%-4.80%

43.3 Transactions with government authorities, agencies, affiliates and other State-controlled entities

The State Council of the PRC government directly and indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other State-controlled entities. The Group enters into extensive banking transactions with these entities in the normal course of business on commercial terms.

Transactions conducted with government authorities, agencies, affiliates and other State-controlled entities include the purchase and redemption of investment securities issued by government agencies, underwriting and distribution of treasury bonds issued by government agencies through the Group's branch network, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit placing and taking.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

43 Related party transactions (Continued)

43.4 Transactions with associates and joint ventures

The Group enters into banking transactions with associates and joint ventures in the normal course of business on commercial terms. These include loans and advances, deposit taking and other normal banking businesses. The main transactions that the Group entered into with associates and joint ventures are as follows:

Transaction balances

	As at 31 December	
	2023	**2022**
Loans and advances to customers	18,158	21,342
Due to customers, banks and other financial institutions	(19,772)	(24,557)
Credit commitments	27,497	27,450

Transaction amounts

	Year ended 31 December	
	2023	**2022**
Interest income	673	717
Interest expense	(395)	(490)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

43 Related party transactions (Continued)

43.4 Transactions with associates and joint ventures (Continued)

The general information of principal associates and joint ventures is as follows:

Name	Place of incorporation/ establishment	Unified Social Credit Code	Effective equity held (%)	Voting right (%)	Paid-in capital (in millions)	Total equity (in millions of RMB)	Operating income (in millions of RMB)	Net profit/ (loss) (in millions of RMB)	Principal business
China Insurance Investment Fund Co., Ltd.	PRC	91110102MA01W7X36U	25.70	25.70	RMB45,000	47,458	3,073	2,653	Investment in non-securities business; equity investment; investment management and consulting
BOC International (China) Co., Ltd.	PRC	91310000736650364G	33.42	33.42	RMB2,778	Note (2)	Note (2)	Note (2)	Securities brokerage; securities investment consulting; financial advisory services related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities assets management; securities investment fund sales agency; margin financing and securities lending; distribution of financial products; management of publicly offered securities investment funds
Ying Kou Port Group CORP.	PRC	91210800121119657C	8.86	Note (1)	RMB20,000	Note (2)	Note (2)	Note (2)	Terminals and other port facilities services; cargo handling; warehousing services; ship and port services; leasing and maintenance services of port facilities and equipment and port machinery, etc.
National Green Development Fund	PRC	91310000MA1FL7AXXR	9.04	Note (1)	RMB88,500	23,662	332	130	Equity investment; project investment; investment management; investment consulting
CGN Phase I Private Equity Fund Company Limited	PRC	91110000717827478Q	20.00	20.00	RMB100	9,910	1,122	1,396	Investment in nuclear power projects and related industries; assets management; investment consulting
Shanghai Chenggang Real Estate Co., Ltd.	PRC	91310000MA1H3FM95L	75.00	Note (1)	RMB2,400	2,386	–	(1)	Real estate development and operations; property management; non-residential real estate leasing; parking services
Sichuan Lutianhua Co., Ltd.	PRC	91510500711880825C	16.44	Note (1)	RMB1,568	Note (2)	Note (2)	Note (2)	Chemical industry, mainly produces and sells all kinds of fertilizers and chemical products
Graceful Field Worldwide Limited	BVI	N/A	80.00	Note (1)	USD0.0025	1,831	62	(110)	Investment
Guomin Pension Insurance Co., Ltd.	PRC	91110102MA7LE7UA7T	8.97	8.97	RMB11,150	11,552	1,902	315	Insurance business; Insurance asset management
Wkland Investments II Limited	BVI	N/A	50.00	50.00	USD0.00002	578	107	56	Investment holding

(1) In accordance with the respective articles of association, the Group has significant influence or joint control over these companies.

(2) For the performance and related information of public offering companies, please refer to their financial reports.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

43 Related party transactions (Continued)

43.5 Transactions with the Annuity Fund

As at 31 December 2023, apart from the obligations for defined contributions to the Annuity Fund established by the Bank, annuity fund held other equity instruments issued by the Bank of RMB3.94 million (31 December 2022: RMB5.77 million), and bonds issued by the Bank of RMB2.33 million (31 December 2022: RMB2.00 million).

43.6 Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors, Supervisors and Executive Officers.

The Group enters into banking transactions with key management personnel in the normal course of business. During the years ended 31 December 2023 and 2022, there were no material transactions and balances with key management personnel on an individual basis.

The key management compensation for the years ended 31 December 2023 and 2022 comprises:

	Year ended 31 December	
	2023	**2022**
Compensation for short-term employment benefits (1)	13	15
Compensation for post-employment benefits	1	1
Total	14	16

(1) The total compensation packages for the key management personnel for the year ended 31 December 2023 have not yet been finalized in accordance with the relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2023 financial statements. The final compensation for the year ended 31 December 2023 will be disclosed in a separate announcement when determined.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

43 Related party transactions (Continued)

43.7 Transactions with Connected Natural Persons

According to China Securities Regulatory Commission's *Administrative Measure for Information Disclosure of Listed Companies*, as at 31 December 2023, the Group's balance of loans and overdrafts to the connected natural persons totalled RMB41 million (31 December 2022: RMB11 million).

43.8 Transactions with subsidiaries

The main transactions with subsidiaries are as follows:

Transaction balances

	As at 31 December	
	2023	**2022**
Due from banks and other financial institutions	54,648	38,874
Placements with and loans to banks and other financial institutions and loans and advances to customers	289,431	318,632
Due to banks and other financial institutions	(177,043)	(255,912)
Placements from banks and other financial institutions	(83,253)	(56,167)

Transaction amounts

	Year ended 31 December	
	2023	**2022**
Interest income	7,768	4,090
Interest expense	(5,531)	(2,452)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

43 Related party transactions (Continued)

43.8 Transactions with subsidiaries (Continued)

The general information of the principal subsidiaries is as follows:

Name	Place of incorporation and operation	Year of incorporation/ establishment	Paid-in capital (in millions)	Effective equity held (%)	Voting right (%)	Principal business
Directly held [(1)]						
BOC Hong Kong (Group) Limited	Hong Kong, China	2001	HKD34,806	100.00	100.00	Holding company
BOC International Holdings Limited [(3)]	Hong Kong, China	1998	HKD3,539	100.00	100.00	Investment banking
Bank of China Group Insurance Company Limited	Hong Kong, China	1992	HKD3,749	100.00	100.00	Insurance services
Bank of China Group Investment Limited	Hong Kong, China	1993	HKD34,052	100.00	100.00	Investment holding
Bank of China (Macau) Limited	Macao, China	2022	MOP13,000	100.00	100.00	Commercial banking
Bank of China (UK) Limited	United Kingdom	2007	GBP250	100.00	100.00	Commercial banking
BOC Insurance Company Limited	Beijing, China	2005	RMB4,535	100.00	100.00	Insurance services
BOC Financial Asset Investment Company Limited	Beijing, China	2017	RMB14,500	100.00	100.00	Debt-to-equity swaps and other supporting businesses
BOC Wealth Management Co., Ltd.	Beijing, China	2019	RMB10,000	100.00	100.00	Issuance of wealth management products, investment and management of entrusted assets for investors
BOC Financial Leasing Co., Ltd.	Chongqing, China	2020	RMB10,800	92.59	92.59	Financial leasing
Indirectly held						
BOC Hong Kong (Holdings) Limited [(2)]	Hong Kong, China	2001	HKD52,864	66.06	66.06	Holding company
Bank of China (Hong Kong) Limited [(3)]	Hong Kong, China	1964	HKD43,043	66.06	100.00	Commercial banking
BOC Credit Card (International) Limited	Hong Kong, China	1980	HKD565	66.06	100.00	Credit card services
BOC Group Trustee Company Limited [(3)]	Hong Kong, China	1997	HKD200	77.60	100.00	Investment holding
BOC Aviation Limited [(2)]	Singapore	1993	USD1,158	70.00	70.00	Aircraft leasing

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

43 Related party transactions (Continued)

43.8 Transactions with subsidiaries (Continued)

(1) These directly held principal subsidiaries are unlisted companies. All holdings are in the ordinary share capital of the undertaking concerned, and the ability of the subsidiaries to transfer funds to the Group and the Bank is not restricted.

(2) BOCHK (Holdings) and BOC Aviation Limited are listed on the Stock Exchange of Hong Kong Limited.

(3) BOCHK and BOC International Holdings Limited ("BOCI"), in which the Group holds 66.06% and 100% of their equity interests, respectively, hold 66% and 34% equity interests of BOC Group Trustee Company Limited, respectively.

For certain subsidiaries listed above, the discrepancy between the percentage of voting rights and the percentage of effective equity holding is mainly due to the impact of indirect holdings.

44 Segment reporting

The Group manages the business from both geographic and business perspectives. From the geographic perspective, the Group operates in three principal regions: Chinese mainland; Hong Kong (China), Macao (China) and Taiwan (China); and other countries and regions. From the business perspective, the Group provides services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

Measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information presented includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Funding is provided to and from individual business segments through treasury operations as part of the asset and liability management process. The pricing of these transactions is based on market rates. The transfer price takes into account the specific features and maturities of the products. Internal transactions are eliminated on consolidation. The Group regularly examines the transfer price and adjusts the price to reflect the current situation.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

44 Segment reporting (Continued)

Geographical segments

Chinese mainland — Corporate banking, personal banking, treasury operations and insurance services, etc. are performed in Chinese mainland.

Hong Kong (China), Macao (China) and Taiwan (China) — Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong (China), Macao (China) and Taiwan (China). The business of this segment is centralised in BOCHK Group.

Other countries and regions — Corporate and personal banking services are provided in other countries and regions. Significant locations include New York, London, Singapore and Luxembourg.

Business segments

Corporate banking — Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, payments and settlements, trade-related products and other credit facilities, foreign currency, derivative products and wealth management products.

Personal banking — Services to retail customers including savings deposits, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury operations — Consisting of foreign exchange transactions, customer-based interest rate and foreign exchange derivative transactions, money market transactions, proprietary trading and asset and liability management. The results of this segment include the inter-segment funding income and expenses, results from interest-bearing assets and liabilities; and foreign currency translation gains and losses.

Investment banking — Consisting of debt and equity underwriting and financial advisory, sales and trading of securities, stock brokerage, investment research and asset management services, and private equity investment services.

Insurance — Underwriting of general and life insurance business and insurance agency services.

Other — Other operations of the Group comprise investment holding business and other miscellaneous activities, none of which constitutes a separately reportable segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

44 Segment reporting (Continued)

As at and for the year ended 31 December 2023

		Hong Kong (China), Macao (China), Taiwan (China)					
	Chinese mainland	BOCHK Group	Other	Subtotal	Other countries and regions	Elimination	Total
Interest income	836,222	108,745	55,653	164,398	104,565	(56,334)	1,048,851
Interest expense	(443,158)	(68,628)	(46,867)	(115,495)	(82,114)	58,461	(582,306)
Net interest income	393,064	40,117	8,786	48,903	22,451	2,127	466,545
Fee and commission income	72,643	11,031	6,241	17,272	7,760	(5,306)	92,369
Fee and commission expense	(9,791)	(2,802)	(1,374)	(4,176)	(2,537)	3,000	(13,504)
Net fee and commission income	62,852	8,229	4,867	13,096	5,223	(2,306)	78,865
Net trading gain	13,256	15,469	590	16,059	1,705	(2,297)	28,723
Net gains/(losses) on transfers of financial asset	697	(1,323)	1,329	6	103	–	806
Other operating income [(1)]	24,195	1,687	25,016	26,703	302	(2,001)	49,199
Operating income	494,064	64,179	40,588	104,767	29,784	(4,477)	624,138
Operating expenses [(1)]	(176,593)	(20,053)	(20,413)	(40,466)	(8,849)	2,975	(222,933)
Impairment losses on assets	(88,124)	(5,706)	(5,380)	(11,086)	(7,352)	–	(106,562)
Operating profit	229,347	38,420	14,795	53,215	13,583	(1,502)	294,643
Share of results of associates and joint ventures	511	(198)	652	454	–	–	965
Profit before income tax	229,858	38,222	15,447	53,669	13,583	(1,502)	295,608
Income tax expense							(49,237)
Profit for the year							246,371
Segment assets	26,447,373	3,474,132	1,737,180	5,211,312	2,372,795	(1,638,864)	32,392,616
Investments in associates and joint ventures	22,822	1,196	15,532	16,728	–	–	39,550
Total assets	26,470,195	3,475,328	1,752,712	5,228,040	2,372,795	(1,638,864)	32,432,166
Include: non-current assets [(2)]	115,120	27,191	180,959	208,150	8,659	(4,878)	327,051
Segment liabilities	24,246,297	3,205,141	1,572,698	4,777,839	2,288,051	(1,636,836)	29,675,351
Other segment items:							
Intersegment net interest income/(expense)	2,721	(1,604)	11,550	9,946	(14,794)	2,127	–
Intersegment net fee and commission income	1,030	(130)	1,478	1,348	(72)	(2,306)	–
Capital expenditure	15,462	1,626	12,643	14,269	268	–	29,999
Depreciation and amortisation	21,707	1,774	6,929	8,703	830	(824)	30,416
Credit commitments	5,788,568	304,618	171,952	476,570	677,167	(148,100)	6,794,205

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

44 Segment reporting (Continued)

As at and for the year ended 31 December 2022

	Chinese mainland	Hong Kong (China), Macao (China), Taiwan (China)			Other countries and regions	Elimination	Total
		BOCHK Group	Other	Subtotal			
Interest income	776,811	52,711	29,787	82,498	44,366	(22,827)	880,848
Interest expense	(374,884)	(21,311)	(22,529)	(43,840)	(25,981)	23,123	(421,582)
Net interest income	401,927	31,400	7,258	38,658	18,385	296	459,266
Fee and commission income	69,479	10,707	5,695	16,402	6,503	(5,282)	87,102
Fee and commission expense	(10,400)	(2,297)	(720)	(3,017)	(2,225)	3,430	(12,212)
Net fee and commission income	59,079	8,410	4,975	13,385	4,278	(1,852)	74,890
Net trading gains/(losses)	1,840	2,887	(98)	2,789	2,604	(12)	7,221
Net gains/(losses) on transfers of financial asset	4,971	(3,327)	448	(2,879)	(9)	–	2,083
Other operating income [(1)]	18,694	1,844	23,703	25,547	136	(1,376)	43,001
Operating income	486,511	41,214	36,286	77,500	25,394	(2,944)	586,461
Operating expenses [(1)]	(166,352)	(8,892)	(18,787)	(27,679)	(8,043)	2,568	(199,506)
Impairment losses on assets	(89,949)	(2,026)	(9,334)	(11,360)	(2,650)	–	(103,959)
Operating profit	230,210	30,296	8,165	38,461	14,701	(376)	282,996
Share of results of associates and joint ventures	427	(260)	478	218	–	–	645
Profit before income tax	230,637	30,036	8,643	38,679	14,701	(376)	283,641
Income tax expense							(46,916)
Profit for the year							236,725
Segment assets	23,354,353	3,245,020	1,689,219	4,934,239	2,347,203	(1,780,551)	28,855,244
Investments in associates and joint ventures	22,676	378	15,250	15,628	–	–	38,304
Total assets	23,377,029	3,245,398	1,704,469	4,949,867	2,347,203	(1,780,551)	28,893,548
Include: non-current assets [(2)]	116,769	27,865	175,520	203,385	8,973	(4,815)	324,312
Segment liabilities	21,329,365	2,978,906	1,530,377	4,509,283	2,271,615	(1,780,016)	26,330,247
Other segment items:							
Intersegment net interest income/(expense)	341	(291)	3,875	3,584	(3,925)	–	–
Intersegment net fee and commission income	561	212	1,007	1,219	72	(1,852)	–
Capital expenditure	14,662	1,709	11,908	13,617	235	–	28,514
Depreciation and amortisation	20,373	1,718	6,657	8,375	820	(700)	28,868
Credit commitments	5,228,480	311,866	162,902	474,768	622,064	(167,373)	6,157,939

(1) Other operating income includes insurance premium income earned, and operating expenses include insurance service expenses.

(2) Non-current assets include property and equipment, investment properties, right-of-use assets, intangible assets and other long-term assets.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

44 Segment reporting (Continued)

As at and for the year ended 31 December 2023

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	513,691	423,935	268,446	3,329	3,928	8,853	(173,331)	1,048,851
Interest expense	(299,150)	(195,092)	(250,162)	(283)	(196)	(10,799)	173,376	(582,306)
Net interest income/(expense)	214,541	228,843	18,284	3,046	3,732	(1,946)	45	466,545
Fee and commission income	36,894	36,895	12,634	6,123	–	2,133	(2,310)	92,369
Fee and commission expense	(1,228)	(9,420)	(1,607)	(1,398)	(1)	(204)	354	(13,504)
Net fee and commission income/(expense)	35,666	27,475	11,027	4,725	(1)	1,929	(1,956)	78,865
Net trading gains/(losses)	2,644	673	22,266	(643)	3,276	471	36	28,723
Net gains on transfers of financial asset	1,174	11	(1,578)	3	1,205	(9)	–	806
Other operating income	733	15,234	580	142	12,751	24,415	(4,656)	49,199
Operating income	254,758	272,236	50,579	7,273	20,963	24,860	(6,531)	624,138
Operating expenses	(78,070)	(96,866)	(20,897)	(2,935)	(17,029)	(12,617)	5,481	(222,933)
Impairment losses on assets	(70,970)	(34,445)	(623)	(148)	(1)	(133)	(242)	(106,562)
Operating profit	105,718	140,925	29,059	4,190	3,933	12,110	(1,292)	294,643
Share of results of associates and joint ventures	–	–	–	370	–	686	(91)	965
Profit before income tax	105,718	140,925	29,059	4,560	3,933	12,796	(1,383)	295,608
Income tax expense								(49,237)
Profit for the year								246,371
Segment assets	13,771,018	6,603,661	11,025,328	78,200	278,635	751,818	(116,044)	32,392,616
Investments in associates and joint ventures	–	–	–	7,289	281	32,151	(171)	39,550
Total assets	13,771,018	6,603,661	11,025,328	85,489	278,916	783,969	(116,215)	32,432,166
Segment liabilities	14,413,638	10,988,012	3,748,905	43,352	263,308	331,087	(112,951)	29,675,351
Other segment items:								
Inter-segment net interest income/(expense)	25,649	145,230	(170,685)	918	11	(1,123)	–	–
Inter-segment net fee and commission income/(expense)	311	1,359	111	(346)	–	521	(1,956)	–
Capital expenditure	4,593	5,157	243	207	165	19,634	–	29,999
Depreciation and amortisation	10,414	10,923	3,152	437	59	6,629	(1,198)	30,416
Credit commitments	5,338,334	1,455,871	–	–	–	–	–	6,794,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

44 Segment reporting (Continued)

As at and for the year ended 31 December 2022

	Corporate banking	Personal banking	Treasury operations	Investment banking	Insurance	Other	Elimination	Total
Interest income	394,698	359,806	211,865	1,799	3,279	5,730	(96,329)	880,848
Interest expense	(206,495)	(152,654)	(150,065)	(158)	(119)	(8,410)	96,319	(421,582)
Net interest income/(expense)	188,203	207,152	61,800	1,641	3,160	(2,680)	(10)	459,266
Fee and commission income	31,592	34,854	13,807	6,919	–	1,885	(1,955)	87,102
Fee and commission expense	(1,449)	(7,979)	(1,401)	(1,717)	(1)	(140)	475	(12,212)
Net fee and commission income/(expense)	30,143	26,875	12,406	5,202	(1)	1,745	(1,480)	74,890
Net trading gains/(losses)	2,688	964	15,016	(253)	(10,225)	(961)	(8)	7,221
Net gains on transfers of financial asset	1,490	49	135	4	397	8	–	2,083
Other operating income	835	9,910	927	281	11,757	22,898	(3,607)	43,001
Operating income	223,359	244,950	90,284	6,875	5,088	21,010	(5,105)	586,461
Operating expenses	(73,694)	(89,497)	(21,877)	(2,671)	(5,382)	(11,006)	4,621	(199,506)
Impairment losses on assets	(64,651)	(32,074)	685	(954)	7	(6,512)	(460)	(103,959)
Operating profit	85,014	123,379	69,092	3,250	(287)	3,492	(944)	282,996
Share of results of associates and joint ventures	–	–	–	321	(1)	359	(34)	645
Profit before income tax	85,014	123,379	69,092	3,571	(288)	3,851	(978)	283,641
Income tax expense								(46,916)
Profit for the year								236,725
Segment assets	11,734,117	6,391,485	9,819,400	83,439	244,501	676,302	(94,000)	28,855,244
Investments in associates and joint ventures	–	–	–	7,011	1	31,424	(132)	38,304
Total assets	11,734,117	6,391,485	9,819,400	90,450	244,502	707,726	(94,132)	28,893,548
Segment liabilities	12,620,363	9,683,712	3,506,365	51,422	229,733	331,585	(92,933)	26,330,247
Other segment items:								
Inter-segment net interest income/(expense)	17,027	77,970	(94,050)	276	5	(1,228)	–	–
Inter-segment net fee and commission income/(expense)	390	1,080	74	(447)	(22)	405	(1,480)	–
Capital expenditure	4,383	4,910	239	198	260	18,524	–	28,514
Depreciation and amortisation	9,458	10,887	2,726	405	45	6,345	(998)	28,868
Credit commitments	4,779,988	1,377,951	–	–	–	–	–	6,157,939

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

45 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the 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.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements. Under this type of repurchase agreements, the counterparties are allowed to sell or re-pledge those securities in the absence of default by the Group, but have an obligation to return the securities upon maturity of the contract. If the value of securities increases or decreases, the Group may in certain circumstances, require counterparties or be required by counterparties to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	As at 31 December 2023		As at 31 December 2022	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	71,811	70,922	1,354	1,325

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

45 Transfers of financial assets (Continued)

Credit assets transfers

The Group enters into credit asset transfers in the normal course of business during which it transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level, and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognises the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in such securitisation transactions was RMB405 million as at 31 December 2023 (31 December 2022: RMB452 million), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. For the year ended 31 December 2023, there was no credit asset transfer transaction which resulted in new continuing involvement through acquiring tranches by the Group (2022: the carrying amount at the time of transfer of the original credit assets, which the Group determined that it had continuing involvement through acquiring certain tranches, was RMB13,074 million) and the carrying amount of assets in relation to continuing involvement that the Group continues to recognise in the statement of financial position was RMB20,780 million as at 31 December 2023 (31 December 2022: RMB21,005 million).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

46 Interests in structured entities

The Group is principally involved with structured entities through financial investments, asset management and credit assets transfers. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

46.1 Unconsolidated structured entities

Structured entities sponsored and managed by the Group

In conducting the asset management business, the Group established various structured entities to provide customers specialised investment opportunities within well-defined objectives and narrow range, including wealth management products, funds and asset management plans. The Group earned management fee, commission and custodian fee in return.

As at 31 December 2023, after considering the impact of relevant joint activities of structured entities within the Group, the balance of wealth management products sponsored and managed by the Group amounted to RMB1,631,063 million (31 December 2022: RMB1,760,322 million), and funds and asset management plans amounted to RMB778,109 million (31 December 2022: RMB661,931 million), respectively.

For the year ended 31 December 2023, the above-mentioned commission, custodian fees and management fees amounted to RMB6,873 million (2022: RMB7,705 million).

For the purpose of asset-liability management, wealth management products may require short-term financing from the Group and other banks. The Group is not contractually obliged to provide any financing to these products. The Group may enter into reverse repurchase and placement transactions with these wealth management products in accordance with market principles. For the year ended 31 December 2023, the Group did not provide any such financing (2022: the maximum balance was RMB9,300 million). Such financing provided by the Group was included in “Placements with and loans to banks and other financial institutions”. As at 31 December 2023 and 31 December 2022, the Group did not have any outstanding financing balance and there was no such exposure to these wealth management products.

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB4,854 million for the year ended 31 December 2023 (2022: RMB669 million). For the description of the portion of asset-backed securities issued by the above structured entities and held by the Group, refer to Note V.45.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

46 Interests in structured entities (Continued)

46.1 Unconsolidated structured entities (Continued)

Structured entities sponsored by other financial institutions

The structured entities sponsored by other financial institutions in which the Group holds investments are set out below:

Structured entity type	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total	Maximum exposure to loss
As at 31 December 2023					
Fund investments	83,527	–	–	83,527	83,527
Investment trusts and asset management plans	2,347	1,581	18,989	22,917	22,917
Asset-backed securitisations	–	41,937	83,658	125,595	125,595
As at 31 December 2022					
Fund investments	81,478	–	–	81,478	81,478
Investment trusts and asset management plans	2,090	1,470	13,005	16,565	16,565
Asset-backed securitisations	6,126	37,962	73,165	117,253	117,253

46.2 Consolidated structured entities

The Group's consolidated structured entities mainly consist of open-end funds, private equity funds, trusts for asset-backed securities, and special-purpose companies. The Group controls these entities because the Group has power over, is exposed to, or has rights 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. Except for providing financial guarantees for the companies established solely for financing purposes, the Group does not provide financial or other support to the other consolidated structured entities.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

47 Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

	Gross amounts of recognised financial assets	Gross amounts offset in the statement of financial position	Amounts presented in the statement of financial position	Amounts not set off in the statement of financial position		Net amount
				Financial instruments*	Cash collateral received	
As at 31 December 2023						
Derivatives	123,059	(4,167)	118,892	(82,485)	(20,129)	16,278
Reverse repo agreements	23,172	–	23,172	(23,172)	–	–
Other assets	14,217	(10,588)	3,629	–	–	3,629
Total	160,448	(14,755)	145,693	(105,657)	(20,129)	19,907
As at 31 December 2022						
Derivatives	132,040	(7,995)	124,045	(87,055)	(18,802)	18,188
Reverse repo agreements	18,738	–	18,738	(18,738)	–	–
Other assets	10,152	(8,238)	1,914	(5)	–	1,909
Total	160,930	(16,233)	144,697	(105,798)	(18,802)	20,097

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

47 Offsetting financial assets and financial liabilities (Continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

	Gross amounts of recognised financial liabilities	Gross amounts offset in the statement of financial position	Amounts presented in the statement of financial position	Amounts not set off in the statement of financial position		Net amount
				Financial instruments*	Cash collateral pledged	
As at 31 December 2023						
Derivatives	112,585	(4,167)	108,418	(82,499)	(10,280)	15,639
Repurchase agreements	40,321	–	40,321	(40,321)	–	–
Other liabilities	13,560	(10,588)	2,972	–	–	2,972
Total	166,466	(14,755)	151,711	(122,820)	(10,280)	18,611
As at 31 December 2022						
Derivatives	112,823	(7,995)	104,828	(87,117)	(5,160)	12,551
Repurchase agreements	28,368	–	28,368	(28,368)	–	–
Other liabilities	9,435	(8,238)	1,197	(5)	–	1,192
Total	150,626	(16,233)	134,393	(115,490)	(5,160)	13,743

* Including non-cash collateral.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ("the offset criteria").

Derivatives and reverse repo/repurchase agreements included in the amounts are not set off in the statement of financial position where:

- The counterparty has an offsetting exposure with the Group and a master netting or similar arrangement (including ISDA master agreement and Global Master Netting Agreement) is in place with a right of setting off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- Cash and non-cash collateral have been received/pledged in respect of the transactions described above.

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

48 The Bank's statement of financial position and changes in equity

48.1 The Bank's statement of financial position

	As at 31 December	
	2023	**2022**
ASSETS		
Cash and due from banks and other financial institutions	547,648	766,789
Balances with central banks	2,553,233	2,088,795
Placements with and loans to banks and other financial institutions	1,417,564	1,378,212
Government certificates of indebtedness for bank notes issued	10,156	10,003
Precious metals	89,304	119,533
Derivative financial assets	97,714	100,785
Loans and advances to customers, net	17,393,207	15,122,657
Financial investments	5,591,540	5,011,055
— financial assets at fair value through profit or loss	181,584	282,247
— financial assets at fair value through other comprehensive income	2,298,286	1,668,889
— financial assets at amortised cost	3,111,670	3,059,919
Investments in subsidiaries	150,947	150,947
Investments in associates and joint ventures	9,026	9,189
Consolidated structured entities	202,005	202,065
Property and equipment	69,827	71,067
Construction in progress	4,896	6,362
Investment properties	2,754	2,740
Deferred income tax assets	72,886	67,841
Other assets	120,157	93,676
Total assets	28,332,864	25,201,716

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

48 The Bank's statement of financial position and changes in equity (Continued)

48.1 The Bank's statement of financial position (Continued)

	As at 31 December	
	2023	**2022**
LIABILITIES		
Due to banks and other financial institutions	2,302,639	2,368,070
Due to central banks	1,116,808	819,529
Bank notes in circulation	10,228	10,409
Placements from banks and other financial institutions	382,890	432,764
Financial liabilities held for trading	–	430
Derivative financial liabilities	98,744	95,777
Due to customers	20,127,975	17,606,623
Bonds issued	1,699,689	1,432,493
Current tax liabilities	53,880	52,966
Retirement benefit obligations	1,676	1,842
Deferred income tax liabilities	53	298
Other liabilities	188,102	206,245
Total liabilities	25,982,684	23,027,446
EQUITY		
Share capital	294,388	294,388
Other equity instruments	399,505	369,505
— Preference shares	119,550	119,550
— Perpetual bonds	279,955	249,955
Capital reserve	132,345	132,331
Other comprehensive income	31,315	9,658
Statutory reserves	249,808	228,944
General and regulatory reserves	365,416	324,911
Undistributed profits	877,403	814,533
Total equity	2,350,180	2,174,270
Total equity and liabilities	28,332,864	25,201,716

Approved and authorised for issue by the Board of Directors on 28 March 2024.

GE Haijiao	**LIU Jin**
Director	*Director*

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

48 The Bank's statement of financial position and changes in equity (Continued)

48.2 The Bank's statement of changes in equity

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Total
As at 1 January 2023	294,388	119,550	249,955	132,331	9,658	228,944	324,911	814,533	2,174,270
Total comprehensive income	–	–	–	–	21,248	–	–	208,242	229,490
Appropriation to statutory reserves	–	–	–	–	–	20,865	–	(20,865)	–
Appropriation to general and regulatory reserves	–	–	–	–	–	–	40,505	(40,505)	–
Dividends	–	–	–	–	–	–	–	(83,594)	(83,594)
Capital contribution by other equity instruments holders	–	–	30,000	(2)	–	–	–	–	29,998
Other comprehensive income transferred to retained earnings	–	–	–	–	5	–	–	(5)	–
Other	–	–	–	16	404	(1)	–	(403)	16
As at 31 December 2023	294,388	119,550	279,955	132,345	31,315	249,808	365,416	877,403	2,350,180

(Amounts in millions of Renminbi, unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

48 The Bank's statement of financial position and changes in equity (Continued)

48.2 The Bank's statement of changes in equity (Continued)

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Statutory reserves	General and regulatory reserves	Undistributed profits	Total
As at 1 January 2022	294,388	119,550	199,955	132,331	20,116	208,319	292,549	741,063	2,008,271
Total comprehensive income	–	–	–	–	(10,459)	–	–	204,937	194,478
Appropriation to statutory reserves	–	–	–	–	–	20,625	–	(20,625)	–
Appropriation to general and regulatory reserves	–	–	–	–	–	–	32,362	(32,362)	–
Dividends	–	–	–	–	–	–	–	(78,479)	(78,479)
Capital contribution by other equity instruments holders	–	–	50,000	(11)	–	–	–	–	49,989
Other comprehensive income transferred to retained earnings	–	–	–	–	1	–	–	(1)	–
Other	–	–	–	11	–	–	–	–	11
As at 31 December 2022	294,388	119,550	249,955	132,331	9,658	228,944	324,911	814,533	2,174,270

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ITEMS (Continued)

49 IBOR Reform

The Group monitors the risks related to interbank offered rates ("IBORs") reform, continuously monitors the risk exposure and converts existing contracts. As at 31 December 2023, the Group had a small number of contracts that had not yet transitioned to an alternative interest rate benchmark, but the amount was immaterial and had no significant impact on the Group's financial position and operating results.

50 Events after the financial reporting date

Redemption of 2019 Undated Capital Bonds (Series 1)

According to the relevant terms and conditions in the prospectus for the issuance of the 2019 Undated Capital Bonds (Series 1), the bonds are subject to the redemption option of the issuer. With the approval of the NFRA, the Bank fully redeemed the 2019 Undated Capital Bonds (Series 1) on 29 January 2024, with the redemption amount of RMB40 billion.

Acquisition of China Construction Bank (Brasil) Banco Múltiplo S/A

As at 31 January 2024, the Group has completed the acquisition and obtained control over the operation of CCB Brasil (Note V.41.4). Upon the completion of such transaction, the Group and China Construction Bank Corporation hold 68.34% and 31.66% of the share capital of CCB Brasil, respectively. As at the issuance date of these consolidated financial statements, the Group is in the process of determining the financial impacts in relation to the consolidation of CCB Brasil.

Issuance of Tier 2 Capital Bonds

On 30 January 2024, the Bank issued fixed-rate Tier 2 capital bonds with a maturity of 10 years amounting RMB30 billion and fixed-rate Tier 2 capital bonds with a maturity of 15 years amounting RMB30 billion and completed the issuance on 1 February 2024. The issuance details have been set out in the Bank's announcement dated 1 February 2024.

VI FINANCIAL RISK MANAGEMENT

1 Overview

The Group analyses, identifies, monitors and reports risks by formulating risk management policies, setting appropriate risk limits and control procedures, and using relevant information systems. It also regularly reviews its risk management policies and related systems to reflect new changes in markets, products and the industry's best practices.

The financial risks the Group is exposed to mainly include credit risk, market risk and liquidity risk. Among them, market risk includes exchange rate risk, interest rate risk and other price risks.

The Board of Directors of the Group assumes the ultimate responsibility for comprehensive risk management. The Board of Directors authorises its subordinate Risk Policy Committee, Audit Committee and US Risk and Management Committee to perform part of the responsibilities of comprehensive risk management. The Board of Supervisors undertakes the supervision responsibility for comprehensive risk management, and is responsible for supervising and inspecting the duty performance of the Board of Directors and senior management in respect of risk management and supervising relevant rectification. Senior management is responsible for conducting comprehensive risk management and implementing resolutions of the Board of Directors. The Risk Management Department, Credit Approval Department, Credit Management Department and other relevant functional departments are responsible for managing financial risks.

Branches and sub-branches are responsible for the comprehensive risk management of business departments at the same level and institutions at lower levels, and shall report their risk position to the Risk Management Department of the Head Office. The subsidiaries shall establish and improve their respective comprehensive risk management systems and carry out comprehensive risk management-related work in accordance with relevant regulatory guidelines and the requirements of this policy.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk

The Group takes on exposure to credit risk, which refers to the risk of loss arising from the failure or unwillingness of a borrower or counterparty to fulfill its debt obligations, including the default risk of a borrower's failure to repay its debt when it is due, and the downgrading risk due to a deterioration in credit quality. Credit risk is one of the most significant risks for the Group's business.

Credit risk exposures arise principally in lending activities and debt securities investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments, bill acceptance, letters of guarantee and letters of credit.

2.1 Credit risk management

(1) Loans and advances to customers and off-balance sheet commitments

The Group identifies and monitors credit risk collectively based on industry, geography and customer type. Management periodically reviews various elements of the Group's credit risk management, in the context of loan portfolio growth, the changing mix and concentration of assets, and the evolving risk profile of the credit portfolio. From time to time, in this regard, refinements are made to the Group's credit risk management processes to most effectively manage the effects of these changes on the Group's credit risk. These refinements include, among other things, adjustments to portfolio level controls, such as revisions to lists of approved borrowers, industry limits and underwriting criteria. Where circumstances related to specific loans or a group of loans increase the Bank's credit risk, actions are taken, to the extent possible, to strengthen the security of the Group's position. The actions may include obtaining additional guarantees or collateral.

The Group measures and manages the credit quality of loans and advances to corporate and personal customers based on the Measures for Risk Classification of Financial Assets of Commercial Banks (the "Measures"), and classifies corporate and personal loans and advances into five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. In addition, off-balance sheet commitments with credit exposure are also assessed and categorised with reference to the Measures. For operations in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions, where local regulations and requirements are different from the Measures, credit assets are classified with prudently not lower than the Group's management requirements in consideration of local regulations and requirements.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.1 Credit risk management (Continued)

(1) Loans and advances to customers and off-balance sheet commitments (Continued)

The five categories of loans are defined as follows:

Pass: Debtors are able to honour the contract terms and there is no objective evidence that the principal, interest, or gains cannot be repaid in full and on time.

Special – mention: Although there are factors that may have a negative impact on the debtors ability to meet its contractual obligations, the debtors are currently still able to pay the principal, interest, or gains.

Substandard: Debtors are considered unable to repay the principal, interest, or gains in full; or a credit impairment loss has been incurred in respect of the financial assets.

Doubtful: Debtors have been unable to repay the principal, interest, or gains in full, and a significant credit impairment loss has been incurred in respect of the financial assets.

Loss: Financial assets are not expected to be recovered in their entirety or only a small portion can be recovered, after all possible measures are taken.

The Group strictly follows the regulatory requirements in five-category loan classifications management, and makes timely adjustments to these classifications as necessary according to customers' operational and financial position, together with other factors that may affect the repayment of the loans.

In accordance with the New Basel Capital Accord, the Group implemented a domestic corporate customer credit rating system based on the probability default ("PD") model. The domestic corporate customer PD model uses the principle of logistic regression to predict the PD for customers in the next 12 months. The risk rating of the customer is obtained through the relevant mapping relationship table according to the calculated PD value. The corporate customer credit ratings are classified into fifteen grades as AAA, AA, A, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B-, CCC, CC, C, and D. Credit grade D equates to defaulted customers while the others are assigned to non-defaulted customers. The Group performs centralised review on customer credit ratings on an annual basis in addition to making adjustments as necessary according to the customers' operational and financial conditions. The Group conducts back-testing of the rating model for domestic corporate customers, according to the customers' actual defaults each year, so that the model calculation results are closer to the objective facts.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.1 Credit risk management (Continued)

(2) Due from, placements with and loans to banks and other financial institutions

The Group manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the internal and external credit rating of banks and financial institutions. During the business lifetime, the Group conducts comprehensive analysis, monitors and manages internal and external factors that may affect counterparties' ability to operate on on-going basis and capacity to bear risk, and takes corresponding control measures.

(3) Debt securities and derivatives

Credit risk within debt securities arises from exposure to movements in credit spreads, default rates and loss given default, as well as changes in the credit of underlying assets.

The Group manages the credit risk within debt securities by monitoring the external credit rating, such as Standard & Poor's ratings or their equivalents, of the securities, the internal credit rating of the issuers of debt securities, and the credit quality of underlying assets of securitisation products (including review of default rates, prepayment rates), industry and sector performance, loss coverage ratios and counterparty risk, to identify exposure to credit risk.

The Group has established policies to manage the net open derivative positions by amounts and by maturity dates. At any time, the current credit exposure equals to the fair value of those derivatives where the fair value changes are favourable to the Group. Credit risk exposures for derivatives are included as part of the aggregated credit risk limit management for financial institutions and customers. Exposures may also be mitigated by obtaining collateral or other pledges of assets.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.2 Credit risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk in particular, to individual customers and to industries.

(1) Credit risk limits and controls

(i) Loans and advances and off-balance sheet commitments

In order to manage the exposure to credit risk, the Group performs standardised management of credit policies and procedures. The credit approval processes for both corporate loans and personal loans can be broadly divided into three stages: (1) credit origination and assessment; (2) credit review and approval; and (3) fund disbursement and post-disbursement management.

Credit applications for corporate customers in the Chinese mainland must be approved by the delegated credit application approvers at the Head Office and tier 1 branch level in the Chinese mainland, except for loans automatically approved online and certain Credit Factory customers applications, low risk loans and advances approved by the delegated credit application approvers at tier 2 branch level. The exposure to any single borrower, including banks, is restricted by approved total credit limits covering on and off-balance sheet exposures.

Personal loans in the Chinese mainland must be approved by delegated approvers at branch level in the Chinese mainland, except for loans automatically approved online.

The Head Office also oversees the risk management of the branches in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions. In particular, any credit application at these branches exceeding the authorisation limits is required to be submitted to the Head Office for approval.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing aforementioned credit limit where appropriate.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.2 Credit risk limit control and mitigation policies (Continued)

(1) Credit risk limits and controls (Continued)

(ii) Debt securities and derivatives

The Group is also exposed to credit risk through debt securities investments and derivative trading activities. Credit limits are established based on type of instruments and the credit quality of counterparties, securities issuers and the securities, and set limits are actively monitored.

(2) Credit risk mitigation policies

(i) Collateral and guarantees

The Group has a range of policies and practices intended to mitigate credit risk. The most prevalent of these is obtaining margin deposits, collateral and guarantees. The Group implements guidelines on the acceptability of specific classes of collateral and coverage rate upper limits. The amount of acceptable collateral at the time of loan origination is determined by the Credit Management Department and is subject to coverage rate upper limits based on type. Value of collateral is monitored on an ongoing basis.

Mortgages to retail customers are generally collateralised by mortgages over residential properties. Whether or not other loans require collateral is dependent on the nature of the loan and the Group's credit management requirements.

For loans guaranteed by a third party guarantor, the Group will assess the guarantor's credit rating, financial condition, credit history and ability to meet its obligations.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Under some agreements, the Group is permitted to sell or repledge collateral in the absence of default by the owner of the collateral. Details of collateral accepted and which the Group is obligated to return are disclosed in Note V.41.3.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.2 Credit risk limit control and mitigation policies (Continued)

(2) Credit risk mitigation policies (Continued)

(ii) Master netting agreements

The Group further restricts its exposure to credit losses by entering into master netting agreements with counterparties. Master netting agreements do not generally result in the offsetting of assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting agreement to the extent that if an event of default with respect to a counterparty or a termination event occurs, all amounts with the counterparty under the master netting agreement are terminated and settled on a net basis.

2.3 Measurement of ECL

The Group conducts assessments of ECL with reference to forward-looking information and uses a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group uses judgements, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards which include:

- Segmentation of financial instruments based on credit risk characteristics for losses
- Criteria for determining significant increases in credit risk
- Definition of default and credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information

There were no significant changes in the estimation techniques and such assumptions during the reporting period.

The Bank has not applied management overlay.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(1) Segmentation of financial instruments based on credit risk characteristics for losses

When measuring ECL on a collective basis, the Group classifies its credit risk exposures into corporate business, interbank business, personal loans, credit cards, and bond business exposures according to its business type, and into domestic and overseas business exposures according to its business regions. When further subdividing the credit risk exposures, the Group obtains sufficient information and segments them according to credit risk characteristics such as product types, customer types, customer risk factors, usage of funds, etc. and then calculate ECL for exposures with shared risk characteristics on a collective basis to ensure its statistical reliability.

(2) Criteria for determining significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on the historical data, external credit risk rating, and forward-looking information. Based on an individual financial instrument or a group of financial instruments with shared credit risk characteristics, the Group compares the risk of default of financial instruments at the financial reporting date with that at the date of initial recognition in order to determine the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

Credit risk is deemed to increase significantly when the forward-looking lifetime PD of an exposure increases by certain predetermined thresholds since its initial recognition. Specifically, such thresholds are met when such PD increases by a certain absolute level as well as by a relative percentage. Such thresholds vary based on the forward-looking lifetime PD at the time of initial recognition.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(2) Criteria for determining significant increases in credit risk (Continued)

Qualitative criteria

- Significant adverse changes in debtor's operations or financial status
- Migrated into the Special Mention category within the five-category loan classification
- Being included in the watch-list of the Group

Backstop criteria

- Borrowers' contractual payments (including principal or interest) are more than 30 days past due.

The Group has provided credit facilities for temporary deferral of principal repayments and interest payments to certain borrowers in accordance with the regulatory requirements of respective countries/regions. For those loans with deferred principal repayments and interest payments, the Group classified the credit risk based on the actual situation of the borrower and the judgement of the substantive risk of the business. However, the temporary deferral of principal or interest payment was not considered as an automatic trigger of a significant increase of credit risk.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(3) Definition of default and credit-impaired financial assets

The Group considers a financial instrument as defaulted when it is credit-impaired. The standard adopted by the Group in determining whether a financial asset is credit-impaired is consistent with the internal credit risk management objectives, taking into account quantitative and qualitative criteria. When the Group assesses whether a credit impairment occurred, the following key factors are considered:

- Significant financial difficulty of the issuer or borrower
- A breach of contract, such as a default or delinquency in interest or principal payments
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Group would not otherwise consider
- It is becoming probable that the borrower will enter into bankruptcy or other financial re-organisation
- The disappearance of an active market for that financial asset because of financial difficulties
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses
- The borrower is more than 90 days overdue for any of the principal, advances, interest or investments in corporate bonds of the Group

A financial asset becoming credit-impaired may be caused by the combined effect of several events, but not a single discrete event.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(4) Parameters for measuring ECL

According to whether the credit risk has significantly increased and whether the asset is credit-impaired, the Group measures the impairment allowance for different assets with ECL of the next 12 months or throughout the entire lifetime. The key parameters in ECL measurement include probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral) and forward-looking information in order to establish the models for estimating PD, LGD and EAD in accordance with the requirement of IFRS 9.

Relevant definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or over the remaining lifetime;

- LGD refers to the Group's expectation of the extent of the loss resulting from the defaulted exposure. The LGD varies depending on the type of counterparty, the method and priority of the recourse, and the type of collateral;

- EAD is based on the amount that the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

For credit-impaired financial assets with individual amount that are relatively significant, the Group mainly evaluates future cash flows (including the recoverable value of the collateral held) in different circumstances on an individual basis. Expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate (credit adjusted effective interest rate for purchased or originated credit-impaired financial assets) and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment loss or reversal. The estimation of future cash flows is critical for a credit-impaired loan for which expected credit losses are measured on an individual basis. Factors affecting this estimate include, among other things, the financial condition of individual borrowers, risk mitigation methods, industry trends and the future performance of individual borrowers and guarantors, and cash flows from the sale of collateral.

The Group regularly conducts re-examination, parameter update and model validation of the ECL models.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.3 Measurement of ECL (Continued)

(5) Forward-looking information

The Group conducted an assessment of ECL according to forward-looking information and used a number of models and assumptions in its measurement of ECL. In assessing the ECL as at 31 December 2023, the Group has taken into account the impact of changes in current economic environment to the ECL model, including: individual borrower's operating and financial conditions and degree of impact from the economic environment, environmental and climate change impact, and industry-specific risks.

The Group identifies key macroeconomic indicators that affect the credit risk and ECL of various business types, such as country or region local GDP, Completion Index of Fixed Assets Investment, Producer Price Index, Home Price Index, Consumer Price Index etc. based on the statistical analysis of historical data.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applies experts' judgement in this analysis, and according to the result, the Group predicts these economic indicators regularly for respective regions and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

The Group conducts statistical analysis using experts' judgement to determine multiple economic scenarios and their respective weightings. In addition to the baseline scenario, optimistic scenario and pessimistic scenario, the Group also considers situation under stress. As at 31 December 2023, the baseline scenario has the highest weighting with the remaining individual scenarios having a weighting of lower than 30%. The Group measures its credit loss allowance based on probability weighted ECL under different scenarios.

The Group updated relevant forward-looking parameters used in the models measuring ECL based on changes in macroeconomic environment during the report period. Amongst these parameters, the annualized value of core one adopted by Chinese mainland in assessing its ECL as of 31 December 2023 under the baseline scenario is as follows:

Indicator	Range
Average Growth Rate of China's GDP in 2023-2025	Around 5.0%

The Group conducts sensitivity analysis on the weightings of multiple economic scenarios used in forward-looking measurement. As at 31 December 2023, when the weighting of optimistic scenario or pessimistic scenario increases by 10%, and the weighting of baseline scenario decreases by 10%, the respective decrease or increase in loan loss allowance will not exceed 5%.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December	
	2023	**2022**
Credit risk exposures relating to on-balance sheet financial assets are as follows:		
Due from banks and other financial institutions	501,284	750,357
Balances with central banks	2,941,140	2,313,859
Placements with and loans to banks and other financial institutions	1,233,888	1,174,097
Government certificates of indebtedness for bank notes issued	203,176	196,497
Derivative financial assets	146,750	152,033
Loans and advances to customers, net	19,476,871	17,116,005
Financial investments		
— financial assets at fair value through profit or loss	347,708	412,413
— financial assets at fair value through other comprehensive income	3,217,563	2,474,849
— financial assets at amortised cost	3,360,183	3,321,923
Other assets	93,855	70,082
Subtotal	31,522,418	27,982,115
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of guarantee issued	1,197,872	1,189,069
Loan commitments and other credit commitments	5,596,333	4,968,870
Subtotal	6,794,205	6,157,939
Total	38,316,623	34,140,054

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.4 Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

The table above represents a worst case scenario of credit risk exposure of the Group as at 31 December 2023 and 2022, without taking into account any collateral held, master netting agreements or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As at 31 December 2023, 50.83% of the Group's total maximum credit exposure is derived from loans and advances to customers (31 December 2022: 50.13%) and 17.99% represents investments in debt securities (31 December 2022: 18.10%).

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances

Analysis of loans and advances to customers (accrued interest excluded) by geographical area, customer type, industry, collateral type and analysis of impaired and overdue loans and advances to customers are presented below:

(1) Concentrations of risk for loans and advances to customers

(i) Analysis of loans and advances to customers by geographical area

Group	**As at 31 December**			
	2023		**2022**	
	Amount	**% of total**	**Amount**	**% of total**
Chinese mainland	16,836,884	84.57%	14,500,783	82.83%
Hong Kong (China), Macao (China), Taiwan (China)	2,011,421	10.11%	1,936,288	11.07%
Other countries and regions	1,059,682	5.32%	1,068,722	6.10%
Total	19,907,987	100.00%	17,505,793	100.00%

Chinese mainland	**As at 31 December**			
	2023		**2022**	
	Amount	**% of total**	**Amount**	**% of total**
Northern China	2,405,566	14.29%	2,038,727	14.07%
Northeastern China	642,274	3.81%	583,632	4.02%
Eastern China	6,862,383	40.76%	5,905,293	40.72%
Central and Southern China	4,740,324	28.15%	4,087,906	28.19%
Western China	2,186,337	12.99%	1,885,225	13.00%
Total	16,836,884	100.00%	14,500,783	100.00%

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(ii) Analysis of loans and advances to customers by customer type

	Chinese mainland	Hong Kong (China), Macao (China), Taiwan (China)	Other countries and regions	Total
As at 31 December 2023				
Corporate loans and advances				
— Trade bills	1,716,122	77,798	107,258	1,901,178
— Other	9,292,108	1,222,007	882,729	11,396,844
Personal loans	5,828,654	711,616	69,695	6,609,965
Total	16,836,884	2,011,421	1,059,682	19,907,987
As at 31 December 2022				
Corporate loans and advances				
— Trade bills	1,318,237	81,885	113,743	1,513,865
— Other	7,500,347	1,198,699	885,912	9,584,958
Personal loans	5,682,199	655,704	69,067	6,406,970
Total	14,500,783	1,936,288	1,068,722	17,505,793

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iii) Analysis of loans and advances to customers by industry

Group	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	3,237,900	16.26%	2,476,528	14.15%
Manufacturing	2,638,582	13.25%	2,177,432	12.44%
Transportation, storage and postal services	2,139,206	10.75%	1,898,333	10.84%
Real estate	1,468,347	7.38%	1,359,650	7.77%
Production and supply of electricity, heating, gas and water	1,293,581	6.50%	952,035	5.44%
Financial services	904,582	4.54%	851,117	4.86%
Water, environment and public utility management	469,720	2.36%	370,531	2.12%
Construction	449,451	2.26%	369,618	2.11%
Mining	305,992	1.54%	283,411	1.62%
Public utilities	235,130	1.18%	218,706	1.25%
Other	155,531	0.78%	141,462	0.80%
Subtotal	13,298,022	66.80%	11,098,823	63.40%
Personal loans				
Mortgages	4,786,255	24.04%	4,916,707	28.09%
Credit cards	563,994	2.83%	520,390	2.97%
Other	1,259,716	6.33%	969,873	5.54%
Subtotal	6,609,965	33.20%	6,406,970	36.60%
Total	19,907,987	100.00%	17,505,793	100.00%

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iii) Analysis of loans and advances to customers by industry (Continued)

Chinese mainland	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Commerce and services	2,755,264	16.36%	1,974,498	13.62%
Manufacturing	2,329,950	13.84%	1,808,808	12.47%
Transportation, storage and postal services	1,976,166	11.74%	1,744,422	12.03%
Real estate	874,747	5.20%	773,828	5.34%
Production and supply of electricity, heating, gas and water	1,046,809	6.22%	738,758	5.09%
Financial services	660,091	3.92%	659,443	4.55%
Water, environment and public utility management	455,276	2.70%	361,108	2.49%
Construction	397,588	2.36%	328,921	2.27%
Mining	217,551	1.29%	167,351	1.15%
Public utilities	221,595	1.32%	206,004	1.42%
Other	73,193	0.43%	55,443	0.38%
Subtotal	11,008,230	65.38%	8,818,584	60.81%
Personal loans				
Mortgages	4,168,263	24.76%	4,338,946	29.93%
Credit cards	551,366	3.27%	508,755	3.51%
Other	1,109,025	6.59%	834,498	5.75%
Subtotal	5,828,654	34.62%	5,682,199	39.19%
Total	16,836,884	100.00%	14,500,783	100.00%

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(1) Concentrations of risk for loans and advances to customers (Continued)

(iv) Analysis of loans and advances to customers by collateral type

Group	**As at 31 December**			
	2023		**2022**	
	Amount	**% of total**	**Amount**	**% of total**
Unsecured loans	7,243,277	36.38%	5,827,221	33.29%
Guaranteed loans	2,547,618	12.80%	2,161,254	12.34%
Loans secured by mortgages	7,910,628	39.74%	7,609,114	43.47%
Pledged loans	2,206,464	11.08%	1,908,204	10.90%
Total	19,907,987	100.00%	17,505,793	100.00%

Chinese mainland	**As at 31 December**			
	2023		**2022**	
	Amount	**% of total**	**Amount**	**% of total**
Unsecured loans	5,938,299	35.27%	4,501,283	31.04%
Guaranteed loans	2,140,243	12.71%	1,773,328	12.23%
Loans secured by mortgages	6,932,717	41.18%	6,680,248	46.07%
Pledged loans	1,825,625	10.84%	1,545,924	10.66%
Total	16,836,884	100.00%	14,500,783	100.00%

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status

(i) Impaired loans and advances by geographical area

Group	As at 31 December					
	2023			2022		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland	207,297	81.87%	1.23%	202,404	87.36%	1.40%
Hong Kong (China), Macao (China), Taiwan (China)	30,985	12.24%	1.54%	15,572	6.73%	0.80%
Other countries and regions	14,923	5.89%	1.41%	13,701	5.91%	1.28%
Total	253,205	100.00%	1.27%	231,677	100.00%	1.32%

Chinese mainland	As at 31 December					
	2023			2022		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Northern China	35,240	17.00%	1.46%	37,895	18.72%	1.86%
Northeastern China	14,134	6.82%	2.20%	13,239	6.54%	2.27%
Eastern China	61,761	29.79%	0.90%	55,168	27.26%	0.93%
Central and Southern China	63,779	30.77%	1.35%	72,733	35.93%	1.78%
Western China	32,383	15.62%	1.48%	23,369	11.55%	1.24%
Total	207,297	100.00%	1.23%	202,404	100.00%	1.40%

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

(ii) Impaired loans and advances by customer type

Group	As at 31 December					
	2023			2022		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	206,760	81.66%	1.55%	190,190	82.09%	1.71%
Personal loans	46,445	18.34%	0.70%	41,487	17.91%	0.65%
Total	253,205	100.00%	1.27%	231,677	100.00%	1.32%

Chinese mainland	As at 31 December					
	2023			2022		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Corporate loans and advances	162,951	78.61%	1.48%	162,326	80.20%	1.84%
Personal loans	44,346	21.39%	0.76%	40,078	19.80%	0.71%
Total	207,297	100.00%	1.23%	202,404	100.00%	1.40%

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

(iii) Impaired loans and advances by geographical area and industry

	As at 31 December					
	2023			2022		
	Amount	% of total	Impaired loan ratio	Amount	% of total	Impaired loan ratio
Chinese mainland						
Corporate loans and advances						
Commerce and services	41,312	16.32%	1.50%	33,486	14.45%	1.70%
Manufacturing	33,565	13.26%	1.44%	34,275	14.79%	1.89%
Transportation, storage and postal services	8,780	3.47%	0.44%	10,959	4.73%	0.63%
Real estate	48,172	19.02%	5.51%	55,966	24.16%	7.23%
Production and supply of electricity, heating, gas and water	12,794	5.05%	1.22%	13,119	5.66%	1.78%
Financial services	161	0.06%	0.02%	20	0.01%	0.00%
Water, environment and public utility management	4,973	1.96%	1.09%	1,947	0.84%	0.54%
Construction	4,295	1.70%	1.08%	2,838	1.22%	0.86%
Mining	3,080	1.22%	1.42%	4,802	2.07%	2.87%
Public utilities	4,260	1.68%	1.92%	3,539	1.54%	1.72%
Other	1,559	0.62%	2.13%	1,375	0.59%	2.48%
Subtotal	162,951	64.36%	1.48%	162,326	70.06%	1.84%
Personal loans						
Mortgages	19,928	7.87%	0.48%	20,386	8.80%	0.47%
Credit cards	10,114	3.99%	1.83%	10,302	4.45%	2.02%
Other	14,304	5.65%	1.29%	9,390	4.05%	1.13%
Subtotal	44,346	17.51%	0.76%	40,078	17.30%	0.71%
Total for Chinese mainland	207,297	81.87%	1.23%	202,404	87.36%	1.40%
Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions	45,908	18.13%	1.49%	29,273	12.64%	0.97%
Total	253,205	100.00%	1.27%	231,677	100.00%	1.32%

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

(iv) Impaired loans and advances and related allowance by geographical area

	Impaired loans	Allowance for impairment losses	Net
As at 31 December 2023			
Chinese mainland	207,297	(155,812)	51,485
Hong Kong (China), Macao (China), Taiwan (China)	30,985	(15,709)	15,276
Other countries and regions	14,923	(8,341)	6,582
Total	253,205	(179,862)	73,343
As at 31 December 2022			
Chinese mainland	202,404	(158,209)	44,195
Hong Kong (China), Macao (China), Taiwan (China)	15,572	(8,544)	7,028
Other countries and regions	13,701	(5,746)	7,955
Total	231,677	(172,499)	59,178

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(2) Analysis of loans and advances to customers by impairment status (Continued)

(v) Within the impaired corporate loans and advances, the portions covered and not covered by collateral held are as follows:

	Group		Chinese mainland	
	As at 31 December 2023	As at 31 December 2022	As at 31 December 2023	As at 31 December 2022
Portion covered	149,614	115,300	126,946	102,514
Portion not covered	57,146	74,890	36,005	59,812
Total	206,760	190,190	162,951	162,326
Fair value of collateral held	52,489	40,927	40,512	35,439

Collateral of impaired corporate loans and advances includes land, buildings, equipment and others. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted for recent experience in disposal of collateral as well as the market conditions.

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(3) Rescheduled loans and advances

Rescheduled loans and advances are those loans for which the loan contract terms have been revised in favor of the borrower; or existing loans that have been refinanced, including where new loans have been granted in order to repay existing loans or new borrowing facilities have been granted in order to facilitate the repayment of loans as a result of the financial difficulties experienced by the borrower. The Group provides rescheduled loans only if it considers that the borrower has a positive business outlook.

All rescheduled loans and advances are subject to an observation period of at least two consecutive repayment periods and no less than one year. At the end of the observation period, if the borrower has resolved its financial difficulties and repaid the loan on time in accordance with the contractual agreement, the relevant loans may no longer be classified as rescheduled loans.

If the borrower does not resolve its financial difficulties by the end of the observation period or the borrower fails to make repayments as scheduled during such period then the observation period will be extended and effectively restarted on the same terms as above.

As at 31 December 2023 and 2022, the amount of Group's rescheduled loans and advances that were not more than 90 days overdue was not material.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(4) Overdue loans and advances to customers

(i) Analysis of overdue loans and advances to customers by collateral type and overdue days

Group

	Past due up to 90 days	Past due 91 to 360 days	Past due 361 Days to 3 years	Past due over 3 years	Total
As at 31 December 2023					
Unsecured loans	18,216	16,618	6,617	742	42,193
Guaranteed loans	5,957	5,822	6,557	1,477	19,813
Loans secured by mortgages	45,519	42,856	35,487	3,139	127,001
Pledged loans	3,971	11,313	6,265	73	21,622
Total	73,663	76,609	54,926	5,431	210,629
As at 31 December 2022					
Unsecured loans	9,582	13,502	5,679	1,215	29,978
Guaranteed loans	3,952	4,368	30,296	809	39,425
Loans secured by mortgages	50,585	28,619	22,938	3,938	106,080
Pledged loans	4,588	5,436	4,066	2,528	16,618
Total	68,707	51,925	62,979	8,490	192,101

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(4) Overdue loans and advances to customers (Continued)

(i) Analysis of overdue loans and advances to customers by collateral type and overdue days (Continued)

Chinese mainland

	Past due up to 90 days	Past due 91 to 360 days	Past due 361 Days to 3 years	Past due over 3 years	Total
As at 31 December 2023					
Unsecured loans	11,992	13,049	4,675	179	29,895
Guaranteed loans	2,998	3,686	3,947	767	11,398
Loans secured by mortgages	38,850	38,122	33,482	2,858	113,312
Pledged loans	2,651	6,583	4,549	62	13,845
Total	56,491	61,440	46,653	3,866	168,450
As at 31 December 2022					
Unsecured loans	7,592	11,358	3,177	975	23,102
Guaranteed loans	2,331	3,135	29,085	689	35,240
Loans secured by mortgages	41,672	27,906	22,243	3,681	95,502
Pledged loans	3,225	2,589	3,319	2,336	11,469
Total	54,820	44,988	57,824	7,681	165,313

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(4) Overdue loans and advances to customers (Continued)

(ii) Analysis of overdue loans and advances by geographical area

	As at 31 December	
	2023	**2022**
Chinese mainland	168,450	165,313
Hong Kong (China), Macao (China), Taiwan (China)	32,322	20,781
Other countries and regions	9,857	6,007
Subtotal	210,629	192,101
Percentage	1.06%	1.10%
Less: total loans and advances to customers which have been overdue for less than 3 months	(73,663)	(68,707)
Total loans and advances to customers which have been overdue for more than 3 months	136,966	123,394

(5) Loans and advances three-staging classification

Loans and advances to customers by five-category loan classification and three-staging classification are analysed as follows:

	As at 31 December 2023			
	12-month ECL	**Lifetime ECL**		**Total**
	Stage 1	**Stage 2**	**Stage 3**	
Pass	19,265,099	96,329	–	19,361,428
Special-mention	–	289,716	–	289,716
Substandard	–	–	67,246	67,246
Doubtful	–	–	105,224	105,224
Loss	–	–	80,698	80,698
Total	19,265,099	386,045	253,168	19,904,312

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.5 Loans and advances (Continued)

(5) Loans and advances three-staging classification (Continued)

	As at 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
Pass	16,986,984	48,271	–	17,035,255
Special-mention	–	235,360	–	235,360
Substandard	–	–	103,710	103,710
Doubtful	–	–	60,561	60,561
Loss	–	–	66,833	66,833
Total	16,986,984	283,631	231,104	17,501,719

As at 31 December 2023 and 2022, loans and advances by five-category loan classification and three-staging classification did not include loans and advances to customers measured at fair value through profit or loss.

(6) Credit commitments

As at 31 December 2023 and 2022, credit risk exposures of credit commitments were mainly classified under Stage 1 and categorised as "Pass" in the five-category classifications.

2.6 Due from and placements with and loans to banks and other financial institutions

Banks and other financial institutions comprise those institutions in the Chinese mainland, Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions.

The Group monitors the credit risk of counterparties by collecting and analysing counterparty information and establishing credit limits taking into account the nature, size and credit rating of counterparties.

As at 31 December 2023, the majority of the balances of due from and placements with and loans to banks and other financial institutions were banks and other financial institutions in the Chinese mainland (Note V.13 and Note V.15), the majority of the internal credit ratings of these banks and other financial institutions were above A.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.7 Debt securities

The Group adopted a credit rating approach to manage the credit risk of the debt securities by referring to both internal and external credit rating. The carrying amounts (accrued interest excluded) of the debt investments analysed by external credit ratings at the financial reporting dates are as follows:

	Unrated	A to AAA	Lower than A	Total
As at 31 December 2023				
Issuers in Chinese mainland				
— Government	18,766	3,745,563	–	3,764,329
— Public sectors and quasi-governments	149,685	17,486	–	167,171
— Policy banks	–	714,013	–	714,013
— Financial institutions	20,213	195,760	180,816	396,789
— Corporate	96,663	65,921	36,486	199,070
— China Orient	152,433	–	–	152,433
Subtotal	437,760	4,738,743	217,302	5,393,805
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	2,986	792,999	24,441	820,426
— Public sectors and quasi-governments	90,083	111,590	346	202,019
— Financial institutions	2,749	197,001	67,468	267,218
— Corporate	9,846	85,364	42,923	138,133
Subtotal	105,664	1,186,954	135,178	1,427,796
Total	543,424	5,925,697	352,480	6,821,601
As at 31 December 2022				
Issuers in Chinese mainland				
— Government	16,625	3,365,615	–	3,382,240
— Public sectors and quasi-governments	156,707	11,475	–	168,182
— Policy banks	–	609,586	–	609,586
— Financial institutions	42,228	199,074	170,209	411,511
— Corporate	113,009	88,879	45,789	247,677
— China Orient	152,433	–	–	152,433
Subtotal	481,002	4,274,629	215,998	4,971,629
Issuers in Hong Kong (China), Macao (China), Taiwan (China) and other countries and regions				
— Governments	75,521	593,655	15,353	684,529
— Public sectors and quasi-governments	58,632	65,581	425	124,638
— Financial institutions	5,380	146,742	52,251	204,373
— Corporate	11,285	82,636	36,401	130,322
Subtotal	150,818	888,614	104,430	1,143,862
Total	631,820	5,163,243	320,428	6,115,491

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.7 Debt securities (Continued)

The carrying amounts (accrued interest excluded) of debt investments analysed by external credit ratings and credit staging are as follows:

	As at 31 December 2023			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
Unrated	521,717	3,341	912	525,970
A to AAA	5,686,339	41	–	5,686,380
Lower than A	254,106	22,096	51	276,253
Total	6,462,162	25,478	963	6,488,603

	As at 31 December 2022			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
Unrated	589,666	117	1,052	590,835
A to AAA	4,898,699	–	–	4,898,699
Lower than A	226,188	5,271	–	231,459
Total	5,714,553	5,388	1,052	5,720,993

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

2 Credit risk (Continued)

2.8 Derivatives

The risk-weighted assets for counterparty credit risk ("CCR") of derivatives of the Group are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Assets Measurements Rules for Counterparty Default Risks of Derivatives* and other relevant regulations under the advanced capital measurement approaches. For derivative transactions, risk-weighted assets for CCR include the risk-weighted assets for default risk, the risk-weighted assets for credit valuation adjustment ("CVA") and the risk-weighted assets for central counterparties ("CCPs").

The risk-weighted assets for the CCR of derivatives are as follows:

	As at 31 December	
	2023	**2022**
Risk-weighted assets for default risk		
Currency derivatives	86,299	72,520
Interest rate derivatives	7,669	4,371
Equity derivatives	514	979
Commodity derivatives and other	6,447	6,576
	100,929	84,446
Risk-weighted assets for CVA	86,764	65,373
Risk-weighted assets for CCPs	12,704	6,418
Total	200,397	156,237

2.9 Repossessed assets

The Group obtained assets by taking possession of collateral held as securities. Detailed information of such repossessed assets of the Group is disclosed in Note V.23.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk

3.1 Overview

The Group is exposed to market risks from on-balance and off-balance businesses, that may cause losses to the Group as a result of adverse changes in market prices of interest rate, exchange rate, equities and commodities. Market risk arises from open positions in the trading and banking books. The trading book consists of positions in financial instruments and commodities that are held with trading intent or in order to hedge other elements of the trading book. The banking book consists of financial instruments not included in the trading book.

The Board of Directors shall assume the ultimate responsibility for market risk management, including determination of overall risk appetite; approval of market risk management policies, procedures, strategies and limits of the Group; and overseeing the implementation of risk management strategies and policies by the senior management. The senior management is responsible for developing and implementing the market risk limit mechanism, risk management policies, procedures and processes; assuming and managing the Group's market risk within the risk appetite determined by the Board of Directors; as well as coordinating the compatibility of aggregate risks to business return targets.

Market risk management departments are responsible for the identification, measurement, monitoring, control and reporting of market risks on a Group basis. Business units are responsible for the monitoring and reporting of market risk within their respective business lines.

3.2 Market risk measurement techniques and limits

(1) Trading book

For the purpose of market risk management in the trading book, the Group monitors trading book Value at Risk (VaR) limits, stress testing results and exposure limits and tracks each trading desk and dealer's observance of each limit on a daily basis.

VaR is used to estimate the largest potential loss arising from adverse market movements in a specific holding period and within a certain confidence level.

VaR is performed separately by the Bank and its major subsidiaries that are exposed to market risk, BOCHK (Holdings) and BOCI. The Bank, BOCHK (Holdings) and BOCI used a 99% level of confidence (therefore, statistical probability of 1% that actual losses could be greater than the VaR estimate) and a historical simulation model to calculate the VaR estimate. The holding period of the VaR calculations is one day. To enhance the Group's market risk management, the Group has established the market risk data mart, which enabled a group level trading book VaR calculation on a daily basis.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

The accuracy and reliability of the VaR model is verified by daily back-testing of the VaR results in the trading book. The back-testing results are regularly reported to senior management.

The Group utilises stress testing as an effective supplement to the trading book VaR analysis. Stress testing scenarios are performed based on the characteristics of trading transactions to simulate and estimate losses in adverse and exceptional market conditions. To address changes in the financial markets, the Group enhances its market risk identification capabilities by continuously modifying and improving the trading book stress testing scenarios and measurement methodologies in order to capture the potential impact to transaction market prices stemming from changes in market prices and volatility.

The table below shows the VaR of the trading book by type of risk during the years ended 31 December 2023 and 2022:

Unit: USD million

	Year ended 31 December					
	2023			2022		
	Average	High	Low	Average	High	Low
The Bank's trading VaR						
Interest rate risk	12.29	18.48	9.23	13.84	27.08	6.80
Foreign exchange risk	31.66	51.03	11.83	35.49	72.70	11.30
Volatility risk	0.68	1.60	0.23	1.11	3.18	0.52
Commodity risk	0.22	0.74	0.01	1.63	7.17	0.17
Total of the Bank's trading VaR	30.25	51.09	15.21	39.99	75.79	13.75

The reporting of risk in relation to bullion is included in foreign exchange risk above.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(1) Trading book (Continued)

Unit: USD million

	Year ended 31 December					
	2023			2022		
	Average	High	Low	Average	High	Low
BOCHK (Holdings)'s trading VaR						
Interest rate risk	6.56	10.43	4.08	4.02	8.10	1.99
Foreign exchange risk	3.69	6.18	2.11	3.03	5.12	1.87
Equity risk	0.69	1.09	0.04	0.25	0.57	0.03
Commodity risk	0.59	3.16	0.00	0.56	1.57	0.00
Total BOCHK (Holdings)'s trading VaR	7.32	11.26	4.55	4.82	7.87	2.79
BOCI's trading VaR (i)						
Equity derivatives unit	0.54	1.96	0.15	0.74	1.63	0.17
Fixed income unit	0.85	1.33	0.53	1.00	1.77	0.55
Global commodity unit	0.27	0.48	0.17	0.23	0.47	0.12
Total BOCI's trading VaR	1.65	3.19	1.03	1.96	3.16	0.99

(i) BOCI monitors its trading VaR for equity derivatives unit, fixed income unit and global commodity unit separately, which include equity risk, interest rate risk, foreign exchange risk and commodity risk.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and within a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs was not added up to the total VaR as there was a diversification effect due to correlation amongst the risk factors.

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(2) Banking book

Interest rate risk in the banking book ("IRRBB") refers to the risk of losses to a bank's economic value and to its overall earnings of banking book, arising from adverse movements in interest rates level or term structure. IRRBB mainly comes from repricing gaps between assets and liabilities in the banking book, and differences in changes in benchmarking interest rates for assets and liabilities. The Group is exposed to interest rate risk and fluctuations in market interest rates that will impact the Group's financial position.

The Group assesses IRRBB primarily through an interest rate repricing gap analysis. Interest rate repricing gap analysis measures the difference between the amount of interest-earning assets and interest-bearing liabilities that must be repriced within certain periods. The Group employs the interest rate repricing gap analysis and takes the impact of the off-balance sheet business into consideration when calculating the indications of sensitivity of earnings to changing interest rates. The interest rate gap analysis is set out in Note VI.3.3 and also covers the trading book.

Sensitivity analysis on net interest income

Sensitivity analysis on net interest income assumes that yield curves change in parallel while the structure of assets and liabilities remains unchanged, and does not take into consideration changes in customer behaviour, basis risk, etc. The Group made timely adjustments to the structure of its assets and liabilities, optimised the internal and external pricing strategy or implemented risk hedging based on changes in the market situation, and controlled the fluctuation of net interest income within an acceptable level.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.2 Market risk measurement techniques and limits (Continued)

(2) Banking book (Continued)

Sensitivity analysis on net interest income (Continued)

The table below illustrates the potential impact of a 25 basis points interest rate move on the net interest income of the Group for the next twelve months from the reporting date. The actual situation may be different from the assumptions used and it is possible that actual outcomes could differ from the estimated impact on net interest income of the Group.

	(Decrease)/increase in net interest income	
	As at 31 December	
	2023	2022
+ 25 basis points	(797)	(3,270)
– 25 basis points	797	3,270

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products. Had the impact of yield curves movement on interest expenses related to demand deposits been excluded, the net interest income for the next twelve months from the reporting date would have increased or decreased by RMB22,991 million (2022: RMB19,708 million) for 25 basis points upward or downward parallel movements, respectively.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.3 GAP analysis

The tables below summarise the Group's exposure to interest rate risk. It includes the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	As at 31 December 2023						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	430,170	33,594	27,182	2,205	–	75,704	568,855
Balances with central banks	2,674,435	6,592	18,246	1,650	–	240,217	2,941,140
Placements with and loans to banks and other financial institutions	643,068	153,838	356,054	79,299	–	1,629	1,233,888
Derivative financial assets	–	–	–	–	–	146,750	146,750
Loans and advances to customers, net	4,843,034	3,692,199	9,951,888	643,788	175,238	170,724	19,476,871
Financial investments							
— financial assets at fair value through profit or loss	14,105	43,174	90,064	86,979	102,154	213,945	550,421
— financial assets at fair value through other comprehensive income	219,682	263,462	397,994	1,445,096	883,020	38,859	3,248,113
— financial assets at amortised cost	67,953	275,354	322,677	1,194,626	1,497,257	2,316	3,360,183
Other	6,883	–	–	–	–	899,062	905,945
Total assets	8,899,330	4,468,213	11,164,105	3,453,643	2,657,669	1,789,206	32,432,166
Liabilities							
Due to banks and other financial institutions	1,231,612	174,879	696,244	84,331	–	58,296	2,245,362
Due to central banks	395,863	106,490	723,792	418	–	8,757	1,235,320
Placements from banks and other financial institutions	276,759	70,533	123,616	3,964	–	105	474,977
Derivative financial liabilities	–	–	–	–	–	135,973	135,973
Due to customers	11,436,055	2,133,184	3,801,171	5,014,853	190	521,597	22,907,050
Bonds issued	45,688	105,922	880,651	589,001	170,525	10,659	1,802,446
Other	34,308	40,074	21,429	13,561	3,738	761,113	874,223
Total liabilities	13,420,285	2,631,082	6,246,903	5,706,128	174,453	1,496,500	29,675,351
Total interest repricing gap	(4,520,955)	1,837,131	4,917,202	(2,252,485)	2,483,216	292,706	2,756,815

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.3 GAP analysis (Continued)

	As at 31 December 2022						
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and due from banks and other financial institutions	607,128	85,237	53,197	2,807	–	66,694	815,063
Balances with central banks	2,002,856	3,659	334	1,338	–	305,672	2,313,859
Placements with and loans to banks and other financial institutions	588,242	172,515	366,365	41,308	–	5,667	1,174,097
Derivative financial assets	–	–	–	–	–	152,033	152,033
Loans and advances to customers, net	4,395,084	3,039,534	8,718,158	558,851	233,591	170,787	17,116,005
Financial investments							
— financial assets at fair value through profit or loss	12,384	47,904	124,630	113,445	98,214	216,528	613,105
— financial assets at fair value through other comprehensive income	161,933	225,600	372,099	1,123,622	587,091	29,871	2,500,216
— financial assets at amortised cost	75,269	291,359	421,142	1,191,303	1,340,950	1,900	3,321,923
Other	1,624	–	–	–	–	885,623	887,247
Total assets	7,844,520	3,865,808	10,055,925	3,032,674	2,259,846	1,834,775	28,893,548
Liabilities							
Due to banks and other financial institutions	1,433,130	172,894	582,163	13,739	–	38,397	2,240,323
Due to central banks	212,008	68,973	623,756	4,470	–	6,651	915,858
Placements from banks and other financial institutions	335,141	56,409	73,391	–	–	1,394	466,335
Derivative financial liabilities	–	–	–	–	–	135,838	135,838
Due to customers	10,932,242	1,721,468	3,648,223	3,396,894	823	502,175	20,201,825
Bonds issued	30,933	297,804	567,345	557,037	79,111	8,705	1,540,935
Other*	24,108	14,559	23,599	29,899	6,420	730,548	829,133
Total liabilities	12,967,562	2,332,107	5,518,477	4,002,039	86,354	1,423,708	26,330,247
Total interest repricing gap	(5,123,042)	1,533,701	4,537,448	(969,365)	2,173,492	411,067	2,563,301

* Other includes insurance contract liabilities, which are measured in accordance with IFRS 17 Insurance Contracts as described in Note II.13.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.4 Foreign currency risk

The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD and, to a much lesser extent, other currencies. The major subsidiary, BOCHK Group, conducts the majority of its business in HKD, RMB and USD. The Group endeavours to manage its sources and uses of foreign currencies to minimise potential mismatches in accordance with management directives.

The Group manages its exposure to currency exchange risk through the management of its net foreign currency position and monitors its foreign currency risk on trading books using VaR (Note VI.3.2). Meanwhile, the Group performs currency risk sensitivity analysis to estimate the effect of potential exchange rate changes of foreign currencies against RMB on profit before income tax and equity.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before income tax and equity. A negative amount in the table reflects a potential net reduction in profit before income tax or equity, while a positive amount reflects a potential net increase. Such analysis does not take into account the correlation effect of changes in different foreign currencies, any further actions that may have been or could be taken by management after the financial reporting date to mitigate the effect of exchange differences, nor any consequential changes in the foreign currency positions.

		Effect on profit before income tax		Effect on equity*	
Currency	**Change in currency rate**	**As at 31 December 2023**	**As at 31 December 2022**	**As at 31 December 2023**	**As at 31 December 2022**
USD	+1%	299	207	614	708
HKD	+1%	(192)	220	2,615	2,400

* Effect on other comprehensive income (irrespective of income tax effect).

While the table above indicates the effect on profit before income tax and equity of the 1% appreciation of USD and HKD, there will be an opposite effect with the same amounts if the currencies depreciate by the same percentage.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.4 Foreign currency risk (Continued)

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December 2023 and 2022. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group along with off-balance sheet positions and credit commitments in RMB equivalent, categorised by the original currencies. Derivative financial instruments are included in the net off-balance sheet position using notional amounts.

	As at 31 December 2023							
	RMB	**USD**	**HKD**	**EURO**	**JPY**	**GBP**	**Other**	**Total**
Assets								
Cash and due from banks and other financial institutions	362,047	123,898	23,991	27,005	7,663	4,432	19,819	568,855
Balances with central banks	2,357,156	279,250	24,695	101,258	45,242	57,641	75,898	2,941,140
Placements with and loans to banks and other financial institutions	860,582	267,619	21,444	8,021	1,885	1,396	72,941	1,233,888
Derivative financial assets	65,988	43,462	3,596	3,681	8,323	11,133	10,567	146,750
Loans and advances to customers, net	16,269,917	1,011,438	1,399,632	277,488	14,021	102,739	401,636	19,476,871
Financial investments								
— financial assets at fair value through profit or loss	344,681	102,755	92,701	9,805	452	27	–	550,421
— financial assets at fair value through other comprehensive income	2,166,348	580,401	258,080	46,738	38,654	4,282	153,610	3,248,113
— financial assets at amortised cost	2,930,748	339,996	21,539	26,528	–	747	40,625	3,360,183
Other	356,029	175,908	248,623	3,075	1,201	1,988	119,121	905,945
Total assets	25,713,496	2,924,727	2,094,301	503,599	117,441	184,385	894,217	32,432,166
Liabilities								
Due to banks and other financial institutions	1,644,498	396,589	29,123	44,605	34,081	9,022	87,444	2,245,362
Due to central banks	1,140,227	63,749	24,489	3,982	–	–	2,873	1,235,320
Placements from banks and other financial institutions	129,880	295,787	15,877	16,973	726	4,145	11,589	474,977
Derivative financial liabilities	64,969	37,234	4,269	2,539	4,639	11,216	11,107	135,973
Due to customers	18,282,470	2,131,110	1,475,624	273,757	172,048	91,981	480,060	22,907,050
Bonds issued	1,555,318	216,639	3,629	21,267	401	–	5,192	1,802,446
Other	364,971	127,919	344,662	3,868	483	9,449	22,871	874,223
Total liabilities	23,182,333	3,269,027	1,897,673	366,991	212,378	125,813	621,136	29,675,351
Net on-balance sheet position	2,531,163	(344,300)	196,628	136,608	(94,937)	58,572	273,081	2,756,815
Net off-balance sheet position	(129,268)	336,974	64,381	(126,020)	111,695	(53,863)	(196,093)	7,806
Credit commitments	5,240,210	873,046	256,198	197,222	15,638	70,590	141,301	6,794,205

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

3 Market risk (Continued)

3.4 Foreign currency risk (Continued)

	As at 31 December 2022							
	RMB	USD	HKD	EURO	JPY	GBP	Other	Total
Assets								
Cash and due from banks and other financial institutions	477,597	207,623	22,075	65,273	11,106	7,622	23,767	815,063
Balances with central banks	1,737,083	296,306	30,073	99,011	22,904	55,090	73,392	2,313,859
Placements with and loans to banks and other financial institutions	734,047	342,698	27,930	12,478	313	609	56,022	1,174,097
Derivative financial assets	61,922	50,154	5,487	3,947	4,363	12,612	13,548	152,033
Loans and advances to customers, net	13,946,960	1,151,760	1,232,302	274,598	12,765	103,135	394,485	17,116,005
Financial investments								
— financial assets at fair value through profit or loss	406,513	103,051	72,243	30,753	471	27	47	613,105
— financial assets at fair value through other comprehensive income	1,658,273	431,838	190,417	25,557	82,002	3,273	108,856	2,500,216
— financial assets at amortised cost	2,941,392	297,868	32,686	10,614	2,101	2,627	34,635	3,321,923
Other	324,674	168,803	238,655	1,726	1,322	1,274	150,793	887,247
Total assets	22,288,461	3,050,101	1,851,868	523,957	137,347	186,269	855,545	28,893,548
Liabilities								
Due to banks and other financial institutions	1,532,330	438,382	35,698	38,597	20,304	14,547	160,465	2,240,323
Due to central banks	836,061	42,280	18,293	13,503	–	–	5,721	915,858
Placements from banks and other financial institutions	244,813	176,616	13,449	20,864	733	6,774	3,086	466,335
Derivative financial liabilities	57,399	41,587	5,193	2,451	4,230	12,137	12,841	135,838
Due to customers	15,879,434	2,028,393	1,360,104	279,291	74,585	68,771	511,247	20,201,825
Bonds issued	1,287,690	219,528	2,584	24,498	417	2,435	3,783	1,540,935
Other	354,364	109,251	326,137	3,074	607	8,038	27,662	829,133
Total liabilities	20,192,091	3,056,037	1,761,458	382,278	100,876	112,702	724,805	26,330,247
Net on-balance sheet position	2,096,370	(5,936)	90,410	141,679	36,471	73,567	130,740	2,563,301
Net off-balance sheet position	97,664	52,426	187,224	(132,610)	(37,279)	(69,976)	(84,133)	13,316
Credit commitments	4,678,365	870,947	248,335	169,853	8,139	53,986	128,314	6,157,939

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk

Liquidity risk refers to the risk that a commercial bank fails to acquire adequate funds in a timely manner and at a reasonable cost to deal with repayment of debts at maturity, perform other payment obligations and meet other fund needs for normal business operation.

4.1 Liquidity risk management policy and process

The Bank continues to develop and improve its liquidity risk management system with the aim of effectively identifying, measuring, monitoring and controlling liquidity risk at the institution and group level, including that of branches, subsidiaries and business lines, thus ensuring that liquidity demand is met in a timely manner and at a reasonable cost.

The Group considers liquidity risk management a significant component of asset-liability management, and determines the size, structure and duration of assets and liabilities consistent with the principle of overall balance between assets and liabilities. The Group establishes its liquidity portfolio to mitigate liquidity risk, and to minimise the gaps in the amount and duration between the funding sources and the uses of funds. The Group refines its financing strategy, taking into consideration various factors including customer risk sensitivity, financing cost and concentration of funding sources. In addition, the Group prioritises the development of customer deposits, dynamically adjusts the structure of funding sources by market-oriented financing modes, including due to banks and other financial institutions, inter-bank borrowings and bond issuance, and improves the diversity and stability of financing sources.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include “Cash and due from banks and other financial institutions”, “Balances with central banks”, “Placements with and loans to banks and other financial institutions”, “Loans and advances to customers, net”, etc. In the normal course of business, a proportion of short-term loans contractually repayable will be extended and a portion of short-term customer deposits will not be withdrawn upon maturity. The Group would also be able to meet unexpected net cash outflows by entering into repurchase transactions, and by selling securities and accessing additional funding sources.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.2 Maturity analysis

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the financial reporting date to the contractual maturity date. For purposes of the tables set forth, "Loans and advances to customers, net" are considered overdue only if principal payments are overdue. In addition, for loans and advances to customers that are repayable by instalments, only the portion of the loan that is actually overdue is reported as overdue. Any part of the loan that is not due is reported according to residual maturity.

	As at 31 December 2023							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	–	238,970	267,081	33,110	25,798	3,896	–	568,855
Balances with central banks	1,691,309	1,001,820	219,292	8,555	18,514	1,650	–	2,941,140
Placements with and loans to banks and other financial institutions	412	–	602,580	145,395	367,085	113,165	5,251	1,233,888
Derivative financial assets	–	14,286	21,314	27,845	39,778	32,029	11,498	146,750
Loans and advances to customers, net	78,145	312,850	721,128	1,277,791	4,490,884	5,854,905	6,741,168	19,476,871
Financial investments								
— financial assets at fair value through profit or loss	212,915	–	11,506	42,659	89,599	90,924	102,818	550,421
— financial assets at fair value through other comprehensive income	30,843	–	211,452	228,473	407,850	1,470,822	898,673	3,248,113
— financial assets at amortised cost	658	–	58,972	120,659	324,230	1,350,444	1,505,220	3,360,183
Other	368,379	327,177	33,726	13,254	22,587	87,727	53,095	905,945
Total assets	2,382,661	1,895,103	2,147,051	1,897,741	5,786,325	9,005,562	9,317,723	32,432,166
Liabilities								
Due to banks and other financial institutions	–	1,221,270	62,895	174,764	699,492	86,941	–	2,245,362
Due to central banks	–	50,487	344,398	108,408	731,609	418	–	1,235,320
Placements from banks and other financial institutions	–	–	267,240	51,538	152,160	4,039	–	474,977
Derivative financial liabilities	–	10,025	24,513	25,549	38,079	28,811	8,996	135,973
Due to customers	–	9,575,443	2,077,958	2,129,883	3,939,723	5,183,834	209	22,907,050
Bonds issued	–	–	36,833	92,660	893,356	609,072	170,525	1,802,446
Other	349	287,111	74,296	46,734	135,259	113,030	217,444	874,223
Total liabilities	349	11,144,336	2,888,133	2,629,536	6,589,678	6,026,145	397,174	29,675,351
Net liquidity gap	2,382,312	(9,249,233)	(741,082)	(731,795)	(803,353)	2,979,417	8,920,549	2,756,815

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.2 Maturity analysis (Continued)

	As at 31 December 2022							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Assets								
Cash and due from banks and other financial institutions	–	331,760	342,056	85,238	53,202	2,807	–	815,063
Balances with central banks	1,558,207	705,042	41,961	3,561	3,750	1,338	–	2,313,859
Placements with and loans to banks and other financial institutions	1,021	–	558,600	166,308	379,767	64,289	4,112	1,174,097
Derivative financial assets	–	12,946	23,843	25,807	35,944	38,330	15,163	152,033
Loans and advances to customers, net	56,170	286,819	645,085	977,680	3,798,603	4,939,625	6,412,023	17,116,005
Financial investments								
— financial assets at fair value through profit or loss	217,298	–	10,463	43,639	103,930	63,704	174,071	613,105
— financial assets at fair value through other comprehensive income	25,621	–	130,701	209,712	372,822	1,159,645	601,715	2,500,216
— financial assets at amortised cost	501	–	59,418	137,208	409,332	1,360,225	1,355,239	3,321,923
Other	361,294	333,464	19,641	11,162	21,035	87,015	53,636	887,247
Total assets	2,220,112	1,670,031	1,831,768	1,660,315	5,178,385	7,716,978	8,615,959	28,893,548
Liabilities								
Due to banks and other financial institutions	–	1,386,565	95,609	172,592	561,760	23,797	–	2,240,323
Due to central banks	–	85,516	128,656	70,089	627,119	4,478	–	915,858
Placements from banks and other financial institutions	–	–	325,381	53,022	86,377	1,404	151	466,335
Derivative financial liabilities	–	8,784	20,740	26,685	34,904	33,494	11,231	135,838
Due to customers	–	9,319,736	1,848,444	1,748,246	3,758,947	3,525,575	877	20,201,825
Bonds issued	–	–	14,993	279,100	593,878	573,853	79,111	1,540,935
Other	1,241	320,233	57,222	22,722	142,761	139,056	145,898	829,133
Total liabilities	1,241	11,120,834	2,491,045	2,372,456	5,805,746	4,301,657	237,268	26,330,247
Net liquidity gap	2,218,871	(9,450,803)	(659,277)	(712,141)	(627,361)	3,415,321	8,378,691	2,563,301

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.3 Undiscounted cash flows by contractual maturities

The tables below present the cash flows of the Group of non-derivative financial assets and financial liabilities and derivative financial instruments that will be settled on a net basis and on a gross basis by the remaining contractual maturities at the financial reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value (i.e. discounted cash flows basis). The Group also manages its inherent short-term liquidity risk based on expected undiscounted cash flows.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.3 Undiscounted cash flows by contractual maturities (Continued)

	As at 31 December 2023							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Non-derivative cash flow								
Cash and due from banks and other financial institutions	–	238,970	271,260	33,818	27,578	4,112	–	575,738
Balances with central banks	1,691,309	1,001,820	219,391	8,632	18,595	1,871	–	2,941,618
Placements with and loans to banks and other financial institutions	412	–	604,431	149,684	375,611	119,596	7,934	1,257,668
Loans and advances to customers, net	78,512	312,880	755,546	1,368,770	4,909,836	7,473,339	9,334,739	24,233,622
Financial investments								
— financial assets at fair value through profit or loss	213,131	–	11,882	43,551	95,185	110,906	150,051	624,706
— financial assets at fair value through other comprehensive income	30,883	–	215,735	238,687	465,159	1,662,317	1,051,331	3,664,112
— financial assets at amortised cost	658	–	65,520	136,939	397,745	1,622,088	1,954,976	4,177,926
Other financial assets	4,414	234,679	29,840	7,161	7,605	1,393	23,192	308,284
Total financial assets	2,019,319	1,788,349	2,173,605	1,987,242	6,297,314	10,995,622	12,522,223	37,783,674
Due to banks and other financial institutions	–	1,221,270	64,191	177,697	712,347	93,605	–	2,269,110
Due to central banks	–	50,487	344,410	109,978	740,789	418	–	1,246,082
Placements from banks and other financial institutions	–	–	267,583	52,601	155,958	12,075	–	488,217
Due to customers	–	9,575,443	2,102,943	2,177,708	4,054,718	5,647,770	292	23,558,874
Bonds issued	–	–	36,949	94,476	924,480	682,054	194,163	1,932,122
Other financial liabilities	–	295,806	46,956	30,300	27,603	45,455	31,485	477,605
Total financial liabilities	–	11,143,006	2,863,032	2,642,760	6,615,895	6,481,377	225,940	29,972,010
Derivative cash flow								
Derivative financial instruments settled on a net basis	–	4,204	446	998	1,125	2,914	875	10,562
Derivative financial instruments settled on a gross basis								
Total inflow	–	791,783	3,137,208	1,961,571	3,800,559	605,492	89,128	10,385,741
Total outflow	–	(792,273)	(3,138,390)	(1,955,136)	(3,798,553)	(605,672)	(89,144)	(10,379,168)

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.3 Undiscounted cash flows by contractual maturities (Continued)

	As at 31 December 2022							
	Overdue/ Undated	On demand	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Non-derivative cash flow								
Cash and due from banks and other financial institutions	–	331,760	343,275	86,116	54,919	3,089	–	819,159
Balances with central banks	1,558,207	705,042	41,992	3,584	3,824	1,581	–	2,314,230
Placements with and loans to banks and other financial institutions	1,021	–	560,614	169,805	386,840	68,541	5,625	1,192,446
Loans and advances to customers, net	56,390	287,954	688,482	1,073,859	4,241,431	6,608,867	9,282,371	22,239,354
Financial investments								
— financial assets at fair value through profit or loss	217,497	–	11,233	44,808	115,648	120,704	309,036	818,926
— financial assets at fair value through other comprehensive income	25,641	–	135,531	214,556	426,061	1,342,967	743,841	2,888,597
— financial assets at amortised cost	501	–	75,238	162,554	542,898	1,808,771	2,037,006	4,626,968
Other financial assets	961	206,166	15,395	1,700	5,135	2,822	23,065	255,244
Total financial assets	1,860,218	1,530,922	1,871,760	1,756,982	5,776,756	9,957,342	12,400,944	35,154,924
Due to banks and other financial institutions	–	1,386,565	96,885	175,220	573,869	25,250	–	2,257,789
Due to central banks	–	85,516	130,836	71,130	631,857	4,664	–	924,003
Placements from banks and other financial institutions	–	–	325,510	53,464	88,177	1,450	151	468,752
Due to customers	–	9,319,736	1,880,097	1,800,562	3,928,882	3,876,599	1,014	20,806,890
Bonds issued	–	–	15,145	280,378	611,686	624,994	89,196	1,621,399
Other financial liabilities	–	307,836	36,199	16,369	26,148	16,427	31,384	434,363
Total financial liabilities	–	11,099,653	2,484,672	2,397,123	5,860,619	4,549,384	121,745	26,513,196
Derivative cash flow								
Derivative financial instruments settled on a net basis	–	4,193	88	892	2,123	3,989	1,313	12,598
Derivative financial instruments settled on a gross basis								
Total inflow	–	185,262	2,079,647	1,535,715	2,542,386	575,782	40,780	6,959,572
Total outflow	–	(185,744)	(2,075,645)	(1,532,343)	(2,539,729)	(574,949)	(41,094)	(6,949,504)

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

4 Liquidity risk (Continued)

4.4 Off-balance sheet items

The Group's off-balance sheet items are summarised in the table below at the remaining period to the contractual maturity date. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
As at 31 December 2023				
Loan commitments [(1)]	2,495,538	1,478,789	499,253	4,473,580
Guarantees, acceptances and other financial facilities	1,674,887	391,279	254,459	2,320,625
Subtotal	4,170,425	1,870,068	753,712	6,794,205
Capital commitments	27,329	60,096	11,937	99,362
Total	4,197,754	1,930,164	765,649	6,893,567
As at 31 December 2022				
Loan commitments [(1)]	2,393,974	1,122,610	376,135	3,892,719
Guarantees, acceptances and other financial facilities	1,662,958	337,247	265,015	2,265,220
Subtotal	4,056,932	1,459,857	641,150	6,157,939
Capital commitments	17,485	46,312	24,970	88,767
Total	4,074,417	1,506,169	666,120	6,246,706

(1) Included within "Loan commitments" are amounts relating to loan commitments and undrawn credit card limits. Refer to Note V.41.7.

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value

5.1 Assets and liabilities measured at fair value

Assets and liabilities measured at fair value are classified into the following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchanges or debt instruments issued by certain governments and certain exchange-traded derivative contracts.

- Level 2: Valuation technique for which all inputs that have a significant effect on the recorded fair value other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter ("OTC") derivative contracts, debt securities for which quotations are available from pricing service providers, discounted bills, etc.

- Level 3: Valuation technique using inputs which have a significant effect on the recorded fair value for the asset or liability are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

The Group uses valuation techniques or counterparty quotations to determine the fair value when it is unable to obtain open market quotation in active markets.

The main parameters used in valuation techniques include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, counterparty credit spreads and others, which are all observable and obtainable from the open market.

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity) and unlisted funds held by the Group, management uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. As at 31 December 2023, the Group's significant unobservable inputs included discount rates (6.00%-15.00%), expected dividend (RMB0.04 per share-RMB0.84 per share), price/earnings multiples (0.99x-81.20x), price/sales multiples (1.01x-38.50x), liquidity discounts (5.00%-45.64%), and the net asset value of unlisted investments, recent transaction prices, etc. Management determines whether to make necessary adjustments to the fair value of the Group's Level 3 financial instruments by assessing the impact of changes in macro-economic factors, and valuations by external valuation agencies. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

The Group has established a robust internal control policy for the measurement of fair values. The Board of Directors has ultimate responsibility for the fair value valuation of financial instruments and approves valuation policies; The Risk Policy Committee assist the board in supervising the senior management to establish and improve the system of valuation and execution mechanism; Senior management organizes the valuation process and is accountable to the Board.

The Group has established an independent valuation process for financial assets and financial liabilities. The financial management related departments of Head Office coordinate the management of the Group's financial instrument valuation. The risk management related departments of Head Office are responsible for validating the valuation models.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

	As at 31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Due from and placements with banks and other financial institutions at fair value	–	18,126	–	18,126
Derivative financial assets	4,857	141,893	–	146,750
Loans and advances to customers at fair value	–	717,994	782	718,776
Financial investments				
— Financial assets at fair value through profit or loss				
— Debt securities	5,707	328,603	1,874	336,184
— Equity instruments	19,507	2,135	90,792	112,434
— Fund investments and other	25,465	10,512	65,826	101,803
— Financial assets at fair value through other comprehensive income				
— Debt securities	301,899	2,914,084	–	3,215,983
— Equity instruments and other	6,117	11,020	14,993	32,130
Investment properties	–	2,005	20,699	22,704
Liabilities measured at fair value				
Due to and placements from banks and other financial institutions at fair value	–	(3,798)	–	(3,798)
Due to customers at fair value	–	(47,657)	–	(47,657)
Bonds issued at fair value	–	(2,118)	–	(2,118)
Financial liabilities held for trading	(729)	(53,535)	–	(54,264)
Derivative financial liabilities	(5,009)	(130,964)	–	(135,973)

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

	As at 31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets measured at fair value				
Due from and placements with banks and other financial institutions at fair value	–	12,333	–	12,333
Derivative financial assets	8,331	143,702	–	152,033
Loans and advances to customers at fair value	–	586,513	743	587,256
Financial investments				
— Financial assets at fair value through profit or loss				
— Debt securities	34,691	358,382	5,027	398,100
— Equity instruments	24,460	3,485	84,637	112,582
— Fund investments and other	27,308	12,945	62,170	102,423
— Financial assets at fair value through other comprehensive income				
— Debt securities	319,791	2,152,932	657	2,473,380
— Equity instruments and other	6,972	8,869	10,995	26,836
Investment properties	–	1,809	21,502	23,311
Liabilities measured at fair value				
Due to customers at fair value	–	(36,701)	–	(36,701)
Bonds issued at fair value	–	(2,080)	–	(2,080)
Financial liabilities held for trading	(436)	(53,432)	–	(53,868)
Derivative financial liabilities	(8,136)	(127,702)	–	(135,838)

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

Reconciliation of Level 3 items

	Loans and advances to customers at fair value	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties
		Debt securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other	
As at 1 January 2023	743	5,027	84,637	62,170	657	10,995	21,502
Total gains and losses							
— (loss)/profit	–	(765)	(331)	2,028	–	–	(879)
— other comprehensive income	–	–	–	–	–	3,152	–
Sales	–	(1,031)	(10,170)	(5,617)	–	(603)	(272)
Purchases	–	208	16,664	7,140	–	1,425	4
Transfers out of Level 3, net	–	(1,589)	(8)	–	(666)	–	–
Other changes	39	24	–	105	9	24	344
As at 31 December 2023	782	1,874	90,792	65,826	–	14,993	20,699
Total (losses)/gains for the period included in the income statement for assets held as at 31 December 2023	–	(759)	(189)	2,022	–	–	(867)

	Loans and advances to customers at fair value	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Investment properties	Bonds issued at fair value
		Debt securities	Equity instruments	Fund investments and other	Debt securities	Equity instruments and other		
As at 1 January 2022	–	28,761	74,300	46,131	906	8,655	18,314	(2)
Total gains and losses								
— profit/(loss)	–	408	570	7,090	–	–	(803)	–
— other comprehensive income	–	–	–	–	(185)	4,790	–	–
Sales	–	(1,854)	(5,731)	(11,794)	–	(2,631)	(58)	–
Purchases	–	93	15,847	20,348	–	21	2,908	–
Transfers in/(out) of Level 3, net	743	(22,686)	(362)	–	(148)	–	154	2
Other changes	–	305	13	395	84	160	987	–
As at 31 December 2022	743	5,027	84,637	62,170	657	10,995	21,502	–
Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2022	–	460	669	7,095	–	–	(803)	–

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.1 Assets and liabilities measured at fair value (Continued)

Total gains or losses for the years ended 31 December 2023 and 2022 included in the income statement as well as total gains or losses included in the income statement relating to financial instruments held as at 31 December 2023 and 2022 are presented in "Net trading gains", "Net gains on transfers of financial asset", "Credit impairment losses" or "Other comprehensive income" depending on the nature or category of the related financial instruments.

Gains or losses on Level 3 assets and liabilities included in the income statement for the year comprise:

	Year ended 31 December					
	2023			2022		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Total gains for the year	(154)	207	53	(156)	7,421	7,265

There were no significant transfers for the assets and liabilities measured at fair value between Level 1 and Level 2 during the year ended 31 December 2023 and the year ended 31 December 2022.

As at 31 December 2023, if the discount rates, expected dividend, price/earnings multiples, price/sales multiples and liquidity discounts of significant unobservable inputs applied in the valuation technique had increased by 10%, with all other variables held constant, the fair value of Level 3 financial instruments would have decreased by RMB2,934 million, increased by RMB1,115 million, increased by RMB687 million, increased by RMB671 million, and decreased by RMB485 million, respectively.

5.2 Financial assets and liabilities not measured at fair value

Financial assets not presented at fair value in the statement of financial position mainly represent "Due from banks and other financial institutions", "Government certificates of indebtedness for bank notes issued", and "Balances with central banks", "Placements with and loans to banks and other financial institutions", "Loans and advances to customers", "Financial investments" measured at amortised cost. Liabilities not presented at fair value in the statement of financial position mainly represent "Due to banks and other financial institutions", "Due to central banks", "Bank notes in circulation", and "Placements from banks and other financial institutions", "Due to customers", "Bonds issued" measured at amortised cost.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.2 Financial assets and liabilities not measured at fair value (Continued)

The tables below summarise the carrying amounts and fair values of "Debt securities at amortised cost" and "Bonds issued" not presented at fair value at the financial reporting date.

	As at 31 December			
	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Debt securities at amortised cost (1)	3,341,192	3,425,739	3,311,371	3,347,787
Financial liabilities				
Bonds issued (2)	1,800,328	1,806,910	1,538,855	1,527,751

(1) Debt securities at amortised cost

The China Orient Bond and Special Purpose Treasury Bond held by the Bank are non-transferable. As there are no observable market prices or yields reflecting arm's length transactions of a comparable size and tenor, the fair values are determined based on the stated interest rate of the instruments.

Fair values of other debt securities are based on market prices or broker/dealer price quotations. Where this information is not available, the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flow models. Valuation parameters include market interest rates and expected future default rates. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd.

(2) Bonds issued

The aggregate fair values are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

5 Fair value (Continued)

5.2 Financial assets and liabilities not measured at fair value (Continued)

The tables below summarise the fair values of three levels of "Debt securities at amortised cost" (excluding the China Orient Asset Management Corporation Bond and Special Purpose Treasury Bond), and "Bonds issued" not presented at fair value on the statement of financial reporting date.

	As at 31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt securities at amortised cost	186,119	3,044,203	11	3,230,333
Financial liabilities				
Bonds issued	–	1,806,910	–	1,806,910

	As at 31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Debt securities at amortised cost	172,193	2,979,690	483	3,152,366
Financial liabilities				
Bonds issued	–	1,527,751	–	1,527,751

Other than the above, the difference between the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value in the statement of financial position as at 31 December 2023 and 2022 was insignificant. Fair value is measured using a discounted cash flow model.

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management

The Group follows the principles below with regard to capital management:

- Adequate capital and sustainable development. Follow the lead of the strategic planning of the Group development; and maintain the high quality and adequacy of capital so as to meet regulatory requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.

- Allocation optimisation and benefit augmentation. Allocate capital properly by prioritising the asset businesses with low capital occupancy and high comprehensive income, and steadily improve the efficiency and return of capital, to achieve the reciprocal matchup and dynamic equilibrium among risks, capital and returns.

- Refined management and capital level improvement. Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

Capital adequacy and regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the NFRA, for supervisory purposes. The required information is filed with the NFRA on a quarterly basis.

The Group's capital adequacy ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. With the approval of the NFRA, the Group adopts the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

As a Systemically Important Bank, the Group's capital adequacy ratios are required to meet the lowest requirements of the NFRA, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 9.00%, 10.00% and 12.00%, respectively.

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management (Continued)

The Group's regulatory capital is managed by its capital management related departments and consists of the following:

- Common equity tier 1 capital, including common shares, capital reserve, surplus reserve, general reserve, undistributed profits, eligible portion of minority interests and others;

- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests;

- Tier 2 capital, including directly issued qualifying tier 2 capital instruments and related premium, excess loan loss provisions and eligible portion of minority interests.

Goodwill, other intangible assets (excluding land use rights), investments in common equity tier 1 capital of financial institutions with controlling interests but outside of the scope of regulatory consolidation and other deductible items are deducted from common equity tier 1 capital to derive at the regulatory capital.

(Amounts in millions of Renminbi, unless otherwise stated)

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management (Continued)

The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio [(1)] calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations:

	As at 31 December	
	2023	**2022**
Common equity tier 1 capital adequacy ratio	11.63%	11.84%
Tier 1 capital adequacy ratio	13.83%	14.11%
Capital adequacy ratio	17.74%	17.52%
Composition of the Group's capital base		
Common equity tier 1 capital	2,193,211	2,019,934
Common shares	294,388	294,388
Capital reserve	134,339	134,358
Surplus reserve	255,137	233,847
General reserve	379,063	337,276
Undistributed profits	1,060,652	979,627
Eligible portion of minority interests	36,123	37,168
Other [(2)]	33,509	3,270
Regulatory deductions	(31,386)	(28,592)
Of which:		
Goodwill	(182)	(182)
Other intangible assets (excluding land use rights)	(21,094)	(18,416)
Direct or indirect investments in own shares	–	–
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,978)	(9,950)
Net common equity tier 1 capital	2,161,825	1,991,342
Additional tier 1 capital	408,447	381,648
Preference shares and related premium	119,550	119,550
Additional capital instruments and related premium	279,955	249,955
Eligible portion of minority interests	8,942	12,143
Net tier 1 capital	2,570,272	2,372,990
Tier 2 capital	727,136	573,481
Directly issued qualifying tier 2 capital instruments and related premium	534,124	398,223
Excess loan loss provisions	184,316	165,099
Eligible portion of minority interests	8,696	10,159
Net capital	3,297,408	2,946,471
Risk-weighted assets	18,591,278	16,818,275

VI FINANCIAL RISK MANAGEMENT (Continued)

6 Capital management (Continued)

(1) When calculating the capital adequacy ratios, Bank of China Group Investment Limited ("BOCG Investment"), Bank of China Insurance Company Limited ("BOC Insurance"), Bank of China Group Insurance Company Limited ("BOCG Insurance") and Bank of China Group Life Assurance Company Limited ("BOCG Life") etc., were excluded from the scope of regulatory consolidation in accordance with the requirements of the NFRA.

(2) This mainly represented exchange differences from the translation of foreign operations and gains/(losses) on financial assets at fair value through other comprehensive income.

7 Insurance risk

Insurance contracts are mainly sold in the Chinese mainland and Hong Kong (China). The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. By the nature of an insurance contract, the risk is random and therefore unpredictable. The principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages its portfolio of insurance risks through its appropriate underwriting strategy and policies, as well as adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for insurance risks and recognises insurance contract liabilities. For life insurance contracts, the key assumptions include assumptions in respect of discount rates/investment return, mortality, morbidity, lapse rates, and expenses assumptions relating to life insurance contracts. For non-life insurance contracts, the key assumptions include assumptions in respect of average claim costs, claims handling costs, claims inflation factors and claim numbers for each accident year which are determined based on the Group's past claim experiences.

(Amounts in millions of Renminbi, unless otherwise stated)

I DIFFERENCES BETWEEN IFRS ACCOUNTING STANDARDS AND CAS CONSOLIDATED FINANCIAL STATEMENTS

There were no differences in the Group's operating results for the years ended 31 December 2023 and 2022 or total equity as at 31 December 2023 and 2022 presented in the Group's consolidated financial statements prepared under IFRS Accounting Standards and those prepared under CAS.

II UNAUDITED SUPPLEMENTARY INFORMATION

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio

	As at 31 December	
	2023	**2022**
RMB current assets to RMB current liabilities	55.01%	48.98%
Foreign currency current assets to foreign currency current liabilities	70.16%	72.61%

The liquidity ratios are calculated in accordance with the relevant provisions of the NFRA.

Liquidity coverage ratio

According to the *Disclosure Rules on Liquidity Coverage Ratio of Commercial Banks*, the Group disclosed the information of liquidity coverage ratio ("LCR") (1) as follows.

Regulatory requirements of liquidity coverage ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks* issued by the NFRA, the minimum regulatory requirement of LCR is 100%.

The Group's liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis (2). In the fourth quarter of 2023, the Group measured 92-day LCR on this basis, with average ratio (3) standing at 135.30%, representing an increase of 7.37 percentage points over the previous quarter, which was primarily due to the increase in the high-quality liquid assets ("HQLA").

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's liquidity coverage ratio (Continued)

	2023			
	Quarter ended 31 December	**Quarter ended 30 September**	**Quarter ended 30 June**	**Quarter ended 31 March**
Average value of LCR	135.30%	127.93%	130.99%	135.17%

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's liquidity coverage ratio (Continued)

The Group's average values [(3)] of consolidated LCR individual line items in the fourth quarter of 2023 are as follows:

No.		Total unweighted value	Total weighted value
	High-quality liquid assets		
1	Total high-quality liquid assets (HQLA)		5,081,394
	Cash outflows		
2	Retail deposits and deposits from small business customers, of which:	10,931,616	784,209
3	Stable deposits	6,039,198	294,967
4	Less stable deposits	4,892,418	489,242
5	Unsecured wholesale funding, of which:	11,867,202	4,458,909
6	Operational deposits (excluding those generated from correspondent banking activities)	5,923,012	1,459,633
7	Non-operational deposits (all counterparties)	5,893,675	2,948,761
8	Unsecured debts	50,515	50,515
9	Secured funding		3,675
10	Additional requirements, of which:	4,379,884	2,895,709
11	Outflows related to derivative exposures and other collateral requirements	2,753,658	2,753,658
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	1,626,226	142,051
14	Other contractual funding obligations	140,506	140,506
15	Other contingent funding obligations	3,396,463	102,829
16	**Total cash outflows**		8,385,837
	Cash inflows		
17	Secured lending (including reverse repos and securities borrowing)	504,651	492,915
18	Inflows from fully performing exposures	1,996,461	1,319,928
19	Other cash inflows	2,867,780	2,815,499
20	**Total cash inflows**	5,368,892	4,628,342
			Total adjusted value
21	**Total HQLA**		5,081,394
22	**Total net cash outflows**		3,757,495
23	**Liquidity coverage ratio**		135.30%

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's liquidity coverage ratio (Continued)

(1) The LCR aims to ensure that commercial banks have sufficient HQLA that can be converted into cash to meet the liquidity requirements for at least thirty days under stress scenarios determined by the NFRA.

(2) When calculating the consolidated LCR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life etc., were excluded from the scope of consolidation in accordance with the requirements of the NFRA.

(3) The average of LCR and the averages of all related individual items are the day-end simple arithmetic averages of figures over each quarter.

Net stable funding ratio

In accordance with the *Disclosure Rules on Net Stable Funding Ratio of Commercial Banks*, the Group disclosed the information of net stable funding ratio ("NSFR") (1) as follows:

Regulatory requirements of net stable funding ratio

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks* issued by the NFRA, the minimum regulatory requirement of NSFR is 100%.

The Group's net stable funding ratio

As stipulated by the *Disclosure Rules on Net Stable Funding Ratio of Commercial Banks* issued by the NFRA, banks approved to implement the advanced approaches of capital measurement by the NFRA in accordance with *Capital Rules for Commercial Banks (Provisional)* shall disclose the information of net stable funding ratio for the preceding two consecutive quarters at least semi-annually.

As at 31 December 2023, the Group's NSFR was 124.71% on a consolidated basis (2), representing a decrease of 0.42 percentage point over the previous quarter. As at 30 September 2023, the Group's NSFR was 125.13%, representing an increase of 1.25 percentage point over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

	2023			
	As at 31 December	**As at 30 September**	**As at 30 June**	**As at 31 March**
Ending value of NSFR [(3)]	124.71%	125.13%	123.88%	124.98%

(1) NSFR is introduced to ensure commercial banks have sufficient stable funding, in order to meet the demand for stable funding of all various types of assets and off-balance sheet exposures.

(2) When calculating the consolidated NSFR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life etc., were excluded from the scope of consolidation in accordance with the requirements of the NFRA.

(3) NSFR are the ending values of each quarter.

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the fourth quarter of 2023 are as follows:

		Unweighted value				
No.	**Items**	**No maturity**	**<6 months**	**6-12 months**	**≥1 year**	**Weighted value**
	Available Stable Funding (ASF) Item					
1	Capital	2,607,731	–	–	534,124	3,141,855
2	Regulatory capital	2,607,731	–	–	534,124	3,141,855
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers	4,805,960	7,106,846	97,484	3,071	11,126,578
5	Stable deposits	2,386,917	3,880,431	17,553	454	5,971,110
6	Less stable deposits	2,419,043	3,226,415	79,931	2,617	5,155,468
7	Wholesale funding	5,979,647	7,868,600	1,717,924	500,045	6,917,923
8	Operational deposits	5,500,024	194,800	–	–	2,847,412
9	Other wholesale funding	479,623	7,673,800	1,717,924	500,045	4,070,511
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	92,864	218,866	5,186	391,995	249,934
12	NSFR derivatives liabilities				144,654	
13	All other liabilities and equity not included in the above categories	92,864	218,866	5,186	247,341	249,934
14	**Total ASF**					21,436,290
	Required Stable Funding (RSF) Item					
15	Total NSFR high-quality liquid assets					997,744
16	Deposits held at other financial institutions for operational purposes	116,571	209	–	–	58,390
17	Loans and securities	93,208	6,330,148	2,863,758	12,893,064	14,718,613
18	Loans to financial institutions secured by Level 1 assets	–	3,719	–	–	372
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	56,140	1,680,434	431,411	137,371	613,563

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the fourth quarter of 2023 are as follows (Continued):

		Unweighted value				
No.	**Items**	**No maturity**	**<6 months**	**6-12 months**	**≥1 year**	**Weighted value**
	Required Stable Funding (RSF) Item (Continued)					
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	3,851,087	2,229,737	7,743,748	9,401,677
21	With a risk weight of less than or equal to 35%	–	428,872	30,753	47,415	55,260
22	Residential mortgages of which:	–	101,377	104,076	4,511,562	3,862,723
23	With a risk weight of less than or equal to 35%	–	4,728	7,269	374,158	249,201
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	37,068	693,531	98,534	500,383	840,278
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	605,262	85,638	14,631	624,372	1,170,720
27	Physical traded commodities, including gold	91,234				77,549
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				577	490
29	NSFR derivatives assets				157,536	12,882
30	NSFR derivatives liabilities with additional requirements				28,931*	28,931
31	All other assets not included in the above categories	514,028	85,638	14,631	466,259	1,050,868
32	Off-balance sheet items				9,011,443	243,855
33	**Total RSF**					17,189,322
34	**NSFR**					124.71%

* Reported derivative liabilities are before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No.26 "Other assets".

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the third quarter of 2023 are as follows:

		Unweighted value				
No.	Items	No maturity	<6 months	6-12 months	≥1 year	Weighted value
Available Stable Funding (ASF) Item						
1	Capital	2,552,584	–	–	478,506	3,031,090
2	Regulatory capital	2,552,584	–	–	478,506	3,031,090
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers	4,713,950	7,030,088	108,322	4,792	10,980,863
5	Stable deposits	2,353,226	3,804,542	21,192	859	5,870,870
6	Less stable deposits	2,360,724	3,225,546	87,130	3,933	5,109,993
7	Wholesale funding	6,181,956	7,901,243	1,187,910	503,675	6,838,483
8	Operational deposits	5,685,262	127,808	–	–	2,906,535
9	Other wholesale funding	496,694	7,773,435	1,187,910	503,675	3,931,948
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	103,132	205,624	5,120	472,307	298,193
12	NSFR derivatives liabilities				176,676	
13	All other liabilities and equity not included in the above categories	103,132	205,624	5,120	295,631	298,193
14	**Total ASF**					21,148,629
Required Stable Funding (RSF) Item						
15	Total NSFR high-quality liquid assets					829,125
16	Deposits held at other financial institutions for operational purposes	143,124	1,200	–	–	72,162
17	Loans and securities	86,958	6,503,907	2,910,011	12,626,823	14,517,921
18	Loans to financial institutions secured by Level 1 assets	–	6,415	–	–	642
19	Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions	49,986	1,902,231	425,754	100,878	606,587

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's net stable funding ratio (Continued)

The Group's consolidated NSFR individual line items at the end of the third quarter of 2023 are as follows (Continued):

		Unweighted value				
No.	**Items**	**No maturity**	**<6 months**	**6-12 months**	**≥1 year**	**Weighted value**
	Required Stable Funding (RSF) Item (Continued)					
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which:	–	3,921,689	2,282,101	7,487,562	9,246,001
21	With a risk weight of less than or equal to 35%	–	457,091	18,045	45,142	57,607
22	Residential mortgages of which:	–	101,415	104,146	4,543,500	3,890,252
23	With a risk weight of less than or equal to 35%	–	4,823	7,203	372,515	248,148
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	36,972	572,157	98,010	494,883	774,439
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	642,050	77,611	20,449	691,189	1,239,482
27	Physical traded commodities, including gold	127,575				108,438
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				532	452
29	NSFR derivatives assets				203,252	26,576
30	NSFR derivatives liabilities with additional requirements				35,335*	35,335
31	All other assets not included in the above categories	514,475	77,611	20,449	487,405	1,068,681
32	Off-balance sheet items				8,918,450	242,065
33	**Total RSF**					16,900,755
34	**NSFR**					125.13%

* Reported derivative liabilities are before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No.26 "Other assets".

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

2 Currency concentrations

The following information is computed in accordance with the provisions of the NFRA.

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
As at 31 December 2023				
Spot assets	3,874,639	2,159,470	2,124,965	8,159,074
Spot liabilities	(4,285,544)	(2,224,759)	(1,860,310)	(8,370,613)
Forward purchases	6,860,503	1,275,519	2,027,654	10,163,676
Forward sales	(6,368,632)	(1,227,856)	(2,315,854)	(9,912,342)
Net options position*	(51,103)	(1,524)	7,417	(45,210)
Net long/(short) position	29,863	(19,150)	(16,128)	(5,415)
Structural position	61,436	261,509	108,368	431,313
As at 31 December 2022				
Spot assets	4,075,337	1,921,225	2,074,061	8,070,623
Spot liabilities	(4,156,836)	(2,066,616)	(1,788,038)	(8,011,490)
Forward purchases	4,984,777	709,067	1,587,271	7,281,115
Forward sales	(4,872,408)	(531,717)	(1,915,953)	(7,320,078)
Net options position*	(20,178)	(609)	(1,617)	(22,404)
Net long/(short) position	10,692	31,350	(44,276)	(2,234)
Structural position	70,835	235,383	96,771	402,989

* The net option position is calculated in accordance with the relevant provisions of the NFRA.

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

3 International claims

The Group discloses international claims according to *Banking (Disclosure) Rules* (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties take the ultimate risk while considering the transfer of the risk, exclude local claims on local residents in local currency. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a counterparty whose head office is located in another country.

International claims include "Balances with central banks", "Due from and placements with and loans to banks and other financial institutions", "Loans and advances to customers" and "Financial investments", etc.

International claims have been disclosed by major countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers.

	Banks	Official sector	Non-bank private sector	Total
As at 31 December 2023				
Asia Pacific				
Chinese mainland	747,591	474,024	723,316	1,944,931
Hong Kong (China)	23,598	21,249	483,096	527,943
Other Asia Pacific locations	95,721	88,436	453,002	637,159
Subtotal	866,910	583,709	1,659,414	3,110,033
North and South America	91,766	385,078	293,396	770,240
Europe and other	100,592	167,528	360,616	628,736
Total	1,059,268	1,136,315	2,313,426	4,509,009

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

3 International claims (Continued)

	Banks	Official sector	Non-bank private sector	Total
As at 31 December 2022				
Asia Pacific				
Chinese mainland	858,598	314,342	636,605	1,809,545
Hong Kong (China)	78,291	10,082	452,878	541,251
Other Asia Pacific locations	114,505	135,315	457,730	707,550
Subtotal	1,051,394	459,739	1,547,213	3,058,346
North and South America	160,843	310,436	279,970	751,249
Europe and other	139,451	131,077	298,746	569,274
Total	1,351,688	901,252	2,125,929	4,378,869

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

4 Overdue assets

For the purpose of the table below, the entire outstanding balance of "Loans and advances to customers" and "Placements with and loans to banks and other financial institutions" are considered overdue if either principal or interest payment is overdue.

4.1 Total amount of overdue loans and advances to customers

	As at 31 December	
	2023	**2022**
Total loans and advances to customers which have been overdue		
within 3 months	73,663	68,707
between 3 and 6 months	35,212	24,965
between 6 and 12 months	41,397	26,960
over 12 months	60,357	71,469
Total	210,629	192,101
Percentage		
within 3 months	0.37%	0.39%
between 3 and 6 months	0.18%	0.15%
between 6 and 12 months	0.21%	0.15%
over 12 months	0.30%	0.41%
Total	1.06%	1.10%

4.2 Total amount of overdue Placements with and loans to banks and other financial institutions

The total amount of overdue "Placements with and loans to banks and other financial institutions" as at 31 December 2023 and 2022 was not considered material.

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Leverage ratio

The leverage ratios of the Group calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* are as follows [(1)]:

	2023			
	As at 31 December	**As at 30 September**	**As at 30 June**	**As at 31 March**
Net tier 1 capital	2,570,272	2,512,824	2,461,141	2,424,519
Adjusted on- and off-balance sheet exposures	34,785,923	34,037,124	33,295,393	32,512,144
Leverage ratio	7.39%	7.38%	7.39%	7.46%

No.	**Items**	**As at 31 December 2023**
1	Total consolidated assets	32,432,166
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(500,422)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	190,034
5	Adjustments for securities financing transactions	209,171
6	Adjustments for off-balance sheet exposures	2,486,360
7	Other adjustments	(31,386)
8	Adjusted on- and off-balance sheet exposures	34,785,923

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Leverage ratio (Continued)

No.	Items	As at 31 December 2023
1	On-balance sheet assets (excluding derivatives and securities financing transactions (SFTs))	31,401,747
2	Less: Tier 1 capital deductions	(31,386)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	31,370,361
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	146,641
5	Add-on amounts for potential future exposure associated with all derivative transactions	189,986
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets	–
7	Less: Deductions of receivable assets for cash variation margin provided in derivative transactions	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–
9	Adjusted effective notional amount of written credit derivatives	53
10	Less: Deductible amounts for written credit derivatives	(5)
11	**Total derivative exposures**	336,675
12	Accounting balance for securities financing transaction assets	383,356
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	209,171
15	Agent transaction exposures	–
16	**Balance of assets in securities financing transactions**	592,527
17	Off-balance sheet items	7,480,421
18	Less: Adjustments for conversion to credit equivalent amounts	(4,994,061)
19	**Adjusted off-balance sheet exposures**	2,486,360
20	Net tier 1 capital	2,570,272
21	Adjusted on- and off-balance sheet exposures	34,785,923
22	**Leverage ratio**	7.39%

(1) When calculating the consolidated leverage ratio, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life etc., were excluded from the scope of consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

6 Global systemic importance assessment indicators of commercial banks

The Group calculated the global systemically important banks assessment indicators by using the *Notice on Issuing the Guidelines for the Disclosure of the Indicators for Assessing Global Systemic Importance of Commercial Banks* (Yin Jian Fa, [2014] No.1) as a reference basis, and based on the *Instructions for G-SIB assessment exercise* by the Basel Committee on Banking Supervision. The indicators are disclosed as follows:

No.	Indicators (1)	2023
1	Adjusted on-balance and off-balance sheet assets	34,439,920
2	Intra-financial system assets	2,363,046
3	Intra-financial system liabilities	2,522,057
4	Securities and other financing instruments	5,756,933
5	Payments settled via payment systems or correspondent banks	873,883,640
6	Assets under custody	12,701,022
7	Underwritten transactions in debt and equity markets	1,783,617
8	Trading volume of fixed income	6,295,032
9	Trading volume of equities and other securities	596,218
10	Notional amount of over-the-counter derivatives	15,600,047
11	Trading and available for sale securities	1,111,112
12	Level 3 assets	95,425
13	Cross-jurisdictional claims	4,873,792
14	Cross-jurisdictional liabilities	4,618,477

(1) The indicators above are calculated and disclosed in accordance with the *Guidelines for the Disclosure of Global Systemic Importance Assessment Indicators of Commercial Banks*, which are unaudited and prepared on a different basis compared with the financial and regulatory scope of consolidation.

(Amounts in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

7 Domestic systemic importance assessment indicators of commercial banks for 2022

The Group calculated the domestic systemic importance assessment indicators pursuant to the *Notice on Filling in Data for Evaluating Systemically Important Banks* and by referring to the *Evaluation Measures for Systemically Important Banks* (Yin Fa [2020] No. 289). The indicators are disclosed as follows:

No.	Indicators [(1)]	2022
1	Adjusted on-balance and off-balance sheet assets	31,001,982
2	Intra-financial system assets	3,542,085
3	Intra-financial system liabilities	3,407,652
4	Securities and other financing instruments	1,972,957
5	Payments settled via payment systems or correspondent banks	717,337,933
6	Assets under custody	11,939,024
7	Agency and commission business	5,845,515
8	Number of corporate customers (Unit: ten thousand)	608
9	Number of personal customers (Unit: ten thousand)	36,568
10	Number of domestic operating institutions (Unit: one)	10,315
11	Derivatives	13,776,422
12	Securities measured at fair value	1,116,785
13	Assets of non-banking affiliates	657,119
14	Balance of non-principal-guaranteed wealth management products issued by the Bank	109,735
15	Balance of wealth management products issued by wealth management subsidiary	1,650,586
16	Cross-jurisdictional claims and liabilities	8,879,199

(1) The indicators above are unaudited data and prepared on a different basis compared with the financial scope of consolidation and adopted a different assessment methodology from global systemically important banks.

Reference for Shareholders

Dividends on Ordinary Shares

The Board of Directors has recommended a final dividend on ordinary shares for 2023 of RMB2.364 per 10 shares (before tax), subject to the approval of shareholders at the 2023 Annual General Meeting.

Securities Information

Listing and Trading

The Bank's ordinary shares were listed on the Hong Kong Stock Exchange and SSE on 1 June and 5 July 2006 respectively.

The Domestic Preference Shares (Third Tranche) were traded on the Comprehensive Business Platform of SSE on 17 July 2019. The Domestic Preference Shares (Fourth Tranche) were traded on the Comprehensive Business Platform of SSE on 17 September 2019. The Offshore Preference Shares (Second Tranche) were listed on the Hong Kong Stock Exchange on 5 March 2020.

Ordinary Shares

Issued shares:	294,387,791,241	shares
Including:		
A Share:	210,765,514,846	shares
H Share:	83,622,276,395	shares

Preference Shares

Issued shares:	1,197,865,300	shares
Including:		
Domestic Preference Share:	1,000,000,000	shares
Offshore Preference Share:	197,865,300	shares

Market Capitalisation

As at the last trading day of 2023 (29 December), the Bank's market capitalisation was RMB1,066.779 billion (based on the closing price of A Shares and H Shares on 29 December 2023, and the exchange rate of HKD100 = RMB90.622 as published by the SAFE on 29 December 2023).

Securities Price

A Share	Closing price on 29 December 2023 RMB3.99	Highest trading price in the year RMB4.77	Lowest trading price in the year RMB3.15
H Share	Closing price on 29 December 2023 HKD2.98	Highest trading price in the year HKD3.45	Lowest trading price in the year HKD2.60

Securities Code

A Share

Stock Name	中國銀行
Shanghai Stock Exchange	601988
Reuters	601988.SS
Bloomberg	601988 CH

H Share

Stock Name	Bank of China
Hong Kong Stock Exchange	3988
Reuters	3988.HK
Bloomberg	3988 HK

Domestic Preference Share (Third Tranche)

Stock Name	中行優 3
Shanghai Stock Exchange	360033
Bloomberg	AZ8714182

Domestic Preference Share (Fourth Tranche)

Stock Name	中行優 4
Shanghai Stock Exchange	360035
Bloomberg	ZQ0362264

Offshore Preference Share (Second Tranche)

Stock Name	BOC 20USDPREF
Hong Kong Stock Exchange	4619
Reuters	4619.HK
Bloomberg	BG2289661

Shareholder Enquiry

If a shareholder wishes to enquire about share transfers, changes of name or address, or loss of share certificates, or to receive other information concerning the shares held, please write to the following address:

A Share
Shanghai Branch of China Securities Depository and Clearing Corporation Limited
188 South Yanggao Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-4008 058 058

H Share
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East,
Wan Chai, Hong Kong, China
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

Domestic Preference Share
Shanghai Branch of China Securities Depository and Clearing Corporation Limited
188 South Yanggao Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-4008 058 058

Credit Rating (Long Term, Foreign Currency)

S&P Global Ratings:	A
Moody's Investors Service:	A1
Fitch Ratings:	A

Investor Enquiry

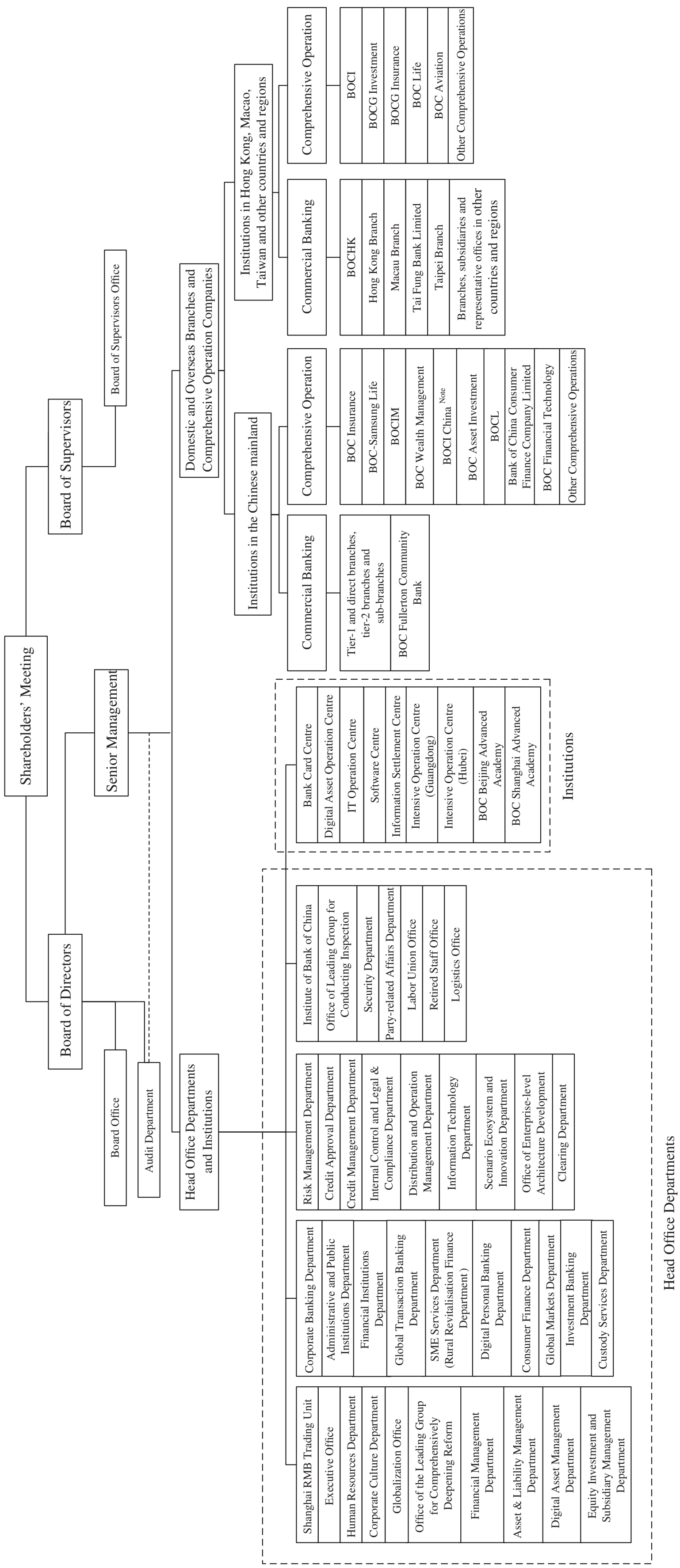
Investor Relations Team, Board Office, Bank of China Limited
12/F, Bank of China Building, No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China
Telephone: (86) 10-6659 2638
E-mail: ir@bankofchina.com

Other Information

You may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, China) to request the annual report prepared under IFRS Accounting Standards or visit the Bank's office address for copies prepared under CAS. The Chinese and/or English versions of the annual report are also available on the following websites: www.boc.cn, www.sse.com.cn and www.hkexnews.hk.

Should you have any queries about how to obtain copies of this annual report or access the document on the Bank's website, please call the Bank's H-Share Registrar at (852) 2862 8688 or the Bank's hotline at (86) 10-6659 2638.

Organisational Chart



Note: The Bank holds 33.42% of the equity interest of BOCI China through its wholly-owned subsidiary BOCI.

List of Major Branches and Subsidiaries

MAJOR BRANCHES AND SUBSIDIARIES IN THE CHINESE MAINLAND

HEAD OFFICE

NO. 1 FUXINGMEN NEI DAJIE,
BEIJING,
CHINA
SWIFT: BKCHCNBJ
TEL: (86) 010-66596688
FAX: (86) 010-66016871
POST CODE: 100818
WEBSITE: www.boc.cn

BEIJING BRANCH

A, C, E KAIHENG CENTER,
NO. 2 CHAOYANGMEN NEI DAJIE,
DONGCHENG DISTRICT,
BEIJING,
CHINA
SWIFT: BKCHCNBJ110
TEL: (86) 010-85121491
FAX: (86) 010-85121739
POST CODE: 100010

TIANJIN BRANCH

NO. 8 YOUYI NORTH ROAD,
HEXI DISTRICT,
TIANJIN,
CHINA
SWIFT: BKCHCNBJ200
TEL: (86) 022-27108002
FAX: (86) 022-23312805
POST CODE: 300204

HEBEI BRANCH

NO. 28 ZIQIANG ROAD,
SHIJIAZHUANG,
HEBEI PROV.,
CHINA
SWIFT: BKCHCNBJ220
TEL: (86) 0311-69696681
FAX: (86) 0311-69696692
POST CODE: 050000

SHANXI BRANCH

NO. 186 PINGYANG ROAD,
XIAODIAN DISTRICT,
TAIYUAN,
SHANXI PROV.,
CHINA
SWIFT: BKCHCNBJ680
TEL: (86) 0351-8266224
FAX: (86) 0351-8266021
POST CODE: 030006

INNER MONGOLIA BRANCH

NO. 85-8 XINHUA DONGJIE,
XINCHENG DISTRICT,
HUHHOT,
INNER MONGOLIA
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ880
TEL: (86) 0471-4690066
FAX: (86) 0471-4690001
POST CODE: 010010

LIAONING BRANCH

NO. 253 SHIFU ROAD,
SHENHE DISTRICT,
SHENYANG,
LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ810
TEL: (86) 024-22810916
FAX: (86) 024-22857333
POST CODE: 110013

JILIN BRANCH

NO. 699 XI AN DA LU,
CHANGCHUN,
JILIN PROV.,
CHINA
SWIFT: BKCHCNBJ840
TEL: (86) 0431-88408888
FAX: (86) 0431-88408901
POST CODE: 130061

HEILONGJIANG BRANCH

NO. 19 HONGJUN STREET,
NANGANG DISTRICT,
HARBIN,
HEILONGJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ860
TEL: (86) 0451-53626740
FAX: (86) 0451-53624147
POST CODE: 150001

SHANGHAI BRANCH

NO. 200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
SWIFT: BKCHCNBJ300
TEL: (86) 021-50375566
FAX: (86) 021-50372911
POST CODE: 200120

JIANGSU BRANCH

NO. 148 ZHONG SHAN NAN LU,
NANJING,
JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ940
TELEX: 34116BOCJSCN
TEL: (86) 025-84207888
FAX: (86) 025-84200407
POST CODE: 210005

ZHEJIANG BRANCH

NO. 321 FENGQI ROAD,
HANGZHOU,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ910
TEL: (86) 0571-85011888
FAX: (86) 0571-87074837
POST CODE: 310003

ANHUI BRANCH

NO. 1688, YUNGU ROAD,
BINHU NEW DISTRICT,
HEFEI,
ANHUI PROV.,
CHINA
SWIFT: BKCHCNBJ780
TEL: (86) 0551-62926995
FAX: (86) 0551-62926993
POST CODE: 230091

FUJIAN BRANCH

BOC BLDG., NO. 136 WUSI ROAD,
FUZHOU,
FUJIAN PROV.,
CHINA
SWIFT: BKCHCNBJ720
TEL: (86) 0591-87090999
FAX: (86) 0591-87090111
POST CODE: 350003

JIANGXI BRANCH

NO. 10, LVYIN ROAD,
HONGGUTAN NEW DISTRICT,
NANCHANG,
JIANGXI PROV.,
CHINA
SWIFT: BKCHCNBJ550
TEL: (86) 0791-86471503
FAX: (86) 0791-86471505
POST CODE: 330038

SHANDONG BRANCH

TOWER A SHUANGJIN BUILDING,
NO. 10817 JINGSHI ROAD,
LIXIA DISTRICT,
JINAN,
SHANDONG PROV.,
CHINA
SWIFT: BKCHCNBJ500
TEL: (86) 0531-58282001
FAX: (86) 0531-58282001
POST CODE: 250014

HENAN BRANCH

BOC BLDG., NO. 3-1 BUSINESS
OUTER RING ROAD,
ZHENGDONG NEW DISTRICT,
ZHENGZHOU,
HENAN PROV.,
CHINA
SWIFT: BKCHCNBJ530
TEL: (86) 0371-87008888
FAX: (86) 0371-87007888
POST CODE: 450018

HUBEI BRANCH

NO. 219 XINHUA ROAD,
JIANGHAN DISTRICT,
WUHAN,
HUBEI PROV.,
CHINA
SWIFT: BKCHCNBJ600
TEL: (86) 027-85569726
FAX: (86) 027-85562955
POST CODE: 430022

HUNAN BRANCH

NO. 593 MID. FURONG ROAD
(1 DUAN),
CHANGSHA,
HUNAN PROV.,
CHINA
SWIFT: BKCHCNBJ970
TEL: (86) 0731-82580703
FAX: (86) 0731-82580707
POST CODE: 410005

GUANGDONG BRANCH

1-19TH FLOOR NO. 197 &
1-11TH FLOOR, 15-19TH FLOOR
NO. 199 DONGFENG XI ROAD,
YUEXIU DISTRICT,
GUANGZHOU,
GUANGDONG PROV.,
CHINA
SWIFT: BKCHCNBJ400
TEL: (86) 020-83338080
FAX: (86) 020-83344066
POST CODE: 510180

GUANGXI BRANCH

NO. 39 GUCHENG ROAD,
NANNING,
GUANGXI ZHUANG
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ480
TEL: (86) 0771-2879602
FAX: (86) 0771-2813844
POST CODE: 530022

HAINAN BRANCH

NO. 29, 31 DATONG ROAD,
LONGHUA DISTRICT,
HAIKOU,
HAINAN PROV.,
CHINA
SWIFT: BKCHCNBJ740
TEL: (86) 0898-66778001
FAX: (86) 0898-66562040
POST CODE: 570102

SICHUAN BRANCH

NO. 35 MID. RENMIN ROAD
(2 DUAN),
CHENGDU,
SICHUAN PROV.,
CHINA
SWIFT: BKCHCNBJ570
TEL: (86) 028-86741950
FAX: (86) 028-86403346
POST CODE: 610031

GUIZHOU BRANCH

BOC BLDG., NO. 347 RUIJIN
SOUTH ROAD,
GUIYANG,
GUIZHOU PROV.,
CHINA
SWIFT: BKCHCNBJ240
TEL: (86) 0851-85813954
FAX: (86) 0851-85822419
POST CODE: 550002

YUNNAN BRANCH

NO. 515 BEIJING ROAD,
KUNMING,
YUNNAN PROV.,
CHINA
SWIFT: BKCHCNBJ640
TEL: (86) 0871-63191216
FAX: (86) 0871-63175573
POST CODE: 650051

TIBET BRANCH

NO. 113 JINZHU XI LU,
LHASA,
TIBET AUTONOMOUS
REGION,
CHINA
SWIFT: BKCHCNBJ900
TEL: (86) 0891-6835311
FAX: (86) 0891-6835311
POST CODE: 850000

SHAANXI BRANCH

NO. 18 TANGYAN ROAD BEIDUAN,
LIANHU DISTRICT,
XI'AN,
SHAANXI PROV.,
CHINA
SWIFT: BKCHCNBJ620
TEL: (86) 029-89593900
FAX: (86) 029-89592999
POST CODE: 710077

GANSU BRANCH

NO. 525 TIANSHUI SOUTH ROAD,
CHENGGUAN DISTRICT
LANZHOU,
GANSU PROV.,
CHINA
SWIFT: BKCHCNBJ660
TEL: (86) 0931-7825004
FAX: (86) 0931-7825004
POST CODE: 730000

QINGHAI BRANCH

NO. 61 WUSI WEST ROAD
CHENGXI DISTRICT,
XINING,
QINGHAI PROV.,
CHINA
SWIFT: BKCHCNBJ280
TEL: (86) 0971-4721110
FAX: (86) 0971-8174971
POST CODE: 810000

NINGXIA BRANCH

NO. 39 XINCHANG EAST ROAD,
JINFENG DISTRICT,
YINCHUAN,
NINGXIA HUI
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ260
TEL: (86) 0951-5681505
FAX: (86) 0951-5681509
POST CODE: 750002

XINJIANG BRANCH

NO. 1 DONGFENG ROAD,
URUMQI,
XINJIANG UYGUR
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ760
TEL: (86) 0991-2328888
FAX: (86) 0991-2825095
POST CODE: 830002

CHONGQING BRANCH

NO. 15 SOUTH STREET
JIANGBEICHENG,
JIANGBEI DISTRICT,
CHONGQING,
CHINA
SWIFT: BKCHCNBJ59A
TEL: (86) 023-63889234
FAX: (86) 023-63889217
POST CODE: 400025

SHENZHEN BRANCH

INTERNATIONAL FINANCE
BUILDING,
NO. 2022 JIANSHE ROAD,
LUOHU DISTRICT,
SHENZHEN,
GUANGDONG PROV.,
CHINA
SWIFT: BKCHCNBJ45A
TEL: (86) 0755-22331155
FAX: (86) 0755-22331051
POST CODE: 518001

SUZHOU BRANCH

NO. 128 WANGDUN ROAD,
SUZHOU INDUSTRIAL PARK,
SUZHOU,
JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ95B
TEL: (86) 0512-67555898
FAX: (86) 0512-65112719
POST CODE: 215028

NINGBO BRANCH

3-18/F, 48-49/F, NO. 318 HEYUAN
ROAD AND NO. 255 DINGTAI
ROAD,
NINGBO,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ92A
TEL: (86) 0574-55555099
POST CODE: 315100

QINGDAO BRANCH

NO. 59 HONGKONG
MIDDLE ROAD,
QINGDAO,
SHANDONG PROV.,
CHINA
SWIFT: BKCHCNBJ50A
TEL: (86) 0532-85979700
FAX: (86) 0532-67755601
POST CODE: 266071

DALIAN BRANCH

NO. 9 ZHONGSHAN SQUARE,
ZHONGSHAN DISTRICT,
DALIAN,
LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ81A
TEL: (86) 0411-82586666
FAX: (86) 0411-82637098
POST CODE: 116001

XIAMEN BRANCH

BOC BLDG.,
NO. 40 NORTH HUBIN ROAD,
XIAMEN,
CHINA
SWIFT: BKCHCNBJ73A
TEL: (86) 0592-5317519
FAX: (86) 0592-5095130
POST CODE: 361012

HEBEI XIONGAN BRANCH

NO. 149 LUOSA STREET,
RONGCHENG,
HEBEI PROV.,
CHINA
SWIFT: BKCHCNBJ220
TEL: (86) 0312-5988023
FAX: (86) 0312-5557047
POST CODE: 071700

BANK OF CHINA INSURANCE CO., LTD.

9-11/F
NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT, BEIJING,
CHINA
TEL: (86) 010-83260001
FAX: (86) 010-83260006
POST CODE: 100032
WEBSITE: www.bocins.com

BANK OF CHINA INVESTMENT MANAGEMENT CO., LTD.

45/F, BOC BUILDING
200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-38848999
FAX: (86) 021-68873488
POST CODE: 200120
WEBSITE: www.bocim.com

BANK OF CHINA CONSUMER FINANCE CO., LTD.

1409-1410#, BOC BUILDING
NO. 200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-63291680
FAX: (86) 021-63291604
POST CODE: 200120
WEBSITE: www.boccfc.cn

BOC INTERNATIONAL (CHINA) CO., LTD.

39/F, BOC BUILDING
200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-20328000
FAX: (86) 021-58883554
POST CODE: 200120
EMAIL:
admindiv.china@bocichina.com
WEBSITE: www.bocichina.com

BOC FULLERTON COMMUNITY BANK CO., LTD.

9/F,
NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT, BEIJING,
CHINA
TEL: (86) 010-57765000
FAX: (86) 010-57765550
POST CODE: 100032
WEBSITE: www.bocfullertonbank.com

BOC-SAMSUNG LIFE INS. CO., LTD.

20/F ROOM 07-08, 22/23/24F,
AIR CHINA CENTURY PLAZA
NO. 40, XIAOYUN ROAD,
CHAOYANG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-83262688
FAX: (86) 010-83262777
POST CODE: 100027
WEBSITE: www.boc-samsunglife.cn

BOC FINANCIAL ASSET INVESTMENT CO., LTD.

8/F, NO. 110 XIDAN NORTH
STREET,
XICHENG DISTRICT, BEIJING,
CHINA
TEL: (86) 010-83262479
FAX: (86) 010-83262478
POST CODE: 100032
EMAIL: bocfi@bocfi.com

BOC WEALTH MANAGEMENT CO., LTD.

701# 7F/1001# 10F/1101# 11F,
NO. 6 JINRONG ST,
XICHENG DISTRICT,
BEIJING,
CHINA
TEL: (86) 010-83937333
FAX: (86) 010-83937555
POST CODE: 100033
WEBSITE: https://www.bocwm.cn

BOC FINANCIAL TECHNOLOGY CO., LTD.

NO. 288 KAYUAN 2ND ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-38973764
FAX: (86) 021-38973713
POST CODE: 201201
WEBSITE: www.fintechboc.com

BOC FINANCIAL LEASING CO., LTD.

38F, NO. 131 ZOURONG ROAD,
YUZHONG DISTRICT,
CHONGQING
CHINA
TEL: (86) 023-63031966
FAX: (86) 023-63031966
POST CODE: 400010
EMAIL: bocfl@bankofchina.com

MAJOR BRANCHES AND SUBSIDIARIES IN HONG KONG, MACAO AND TAIWAN OF CHINA

BOC HONG KONG (HOLDINGS) LIMITED

24/F, BANK OF CHINA TOWER,
NO. 1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 28462700
FAX: (852) 28105830
WEBSITE: www.bochk.com

BOC INTERNATIONAL HOLDINGS LIMITED

26/F, BANK OF CHINA TOWER,
NO. 1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 39886000
FAX: (852) 21479065
EMAIL: info@bocigroup.com
WEBSITE: www.bocigroup.com

HONG KONG BRANCH

7/F, BANK OF CHINA TOWER,
NO. 1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 28101203
FAX: (852) 25377609

BANK OF CHINA GROUP INSURANCE COMPANY LIMITED

9/F, WING ON HOUSE,
NO. 71 DES VOEUX ROAD CENTRAL,
HONG KONG, CHINA
TEL: (852) 28670888
FAX: (852) 25221705
EMAIL: info_ins@bocgroup.com
WEBSITE: www.bocgins.com

BANK OF CHINA GROUP INVESTMENT LIMITED

21/F, BANK OF CHINA TOWER,
NO. 1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 22007500
FAX: (852) 28772629
EMAIL: bocginv_bgi@bocgroup.com
WEBSITE: www.bocgi.com

BOC GROUP LIFE ASSURANCE CO., LTD.

13/F, CITYPLAZA ONE,
NO. 1111 KING'S ROAD,
TAIKOO SHING,
HONG KONG, CHINA
TEL: (852) 21608800
FAX: (852) 28660938
EMAIL: enquiry@boclife.com.hk
WEBSITE: www.boclife.com.hk

MACAU BRANCH

BANK OF CHINA BUILDING,
AVENIDA DOUTOR MARIO SOARES,
MACAO,
CHINA
SWIFT: BKCHMOMX
TEL: (853) 88895566
FAX: (853) 28781833
EMAIL: bocmo@bocmacau.com
WEBSITE: www.bankofchina.com/mo

BANK OF CHINA (MACAU) LIMITED

BANK OF CHINA BUILDING,
AVENIDA DOUTOR MARIO SOARES,
MACAO,
CHINA
SWIFT: BKCHMOMA
TEL: (853) 88895566
FAX: (853) 28781833
EMAIL: bocmo@bank-of-china.com
WEBSITE: www.bankofchina.com/mo/

TAI FUNG BANK LIMITED

NO. 418, ALAMEDA DR. CARLOS, d'ASSUMPCAO,
MACAO,
CHINA
TEL: (853) 28322323
FAX: (853) 28570737
EMAIL: tfbsecr@taifungbank.com
WEBSITE: www.taifungbank.com

TAIPEI BRANCH

1-5/F, NO. 105, SONGREN ROAD,
XINYI DIST.,
TAIPEI CITY,
TAIWAN,
CHINA
SWIFT: BKCHTWTP
TEL: (886) 227585600
FAX: (886) 227581598
EMAIL: service.tw@bankofchina.com
WEBSITE: www.bankofchina.com/tw

MAJOR BRANCHES AND SUBSIDIARIES IN OTHER COUNTRIES AND REGIONS

ASIA-PACIFIC AREA

SINGAPORE BRANCH

4 BATTERY ROAD,
BANK OF CHINA BUILDING,
SINGAPORE
SWIFT: BKCHSGSGXXX
TEL: (65) 67795566
FAX: (65) 65343401
EMAIL:
service.sg@bankofchina.com
WEBSITE:
www.bankofchina.com/sg

TOKYO BRANCH

BOC BLDG. 3-4-1 AKASAKA
MINATO-KU,
TOKYO 107-0052 JAPAN
SWIFT: BKCHJPJT
TEL: (81) 335058818
FAX: (81) 335058381
EMAIL:
service.jp@boctokyo.co.jp
WEBSITE:
www.bankofchina.com/jp

SEOUL BRANCH

2nd/FL YOUNG POONG BLDG.
41, CHEONG GYE CHEON-RO,
JONGNO-GU, SEOUL 03188
KOREA
SWIFT: BKCHKRSEXXX
TEL: (82) 23995254
FAX: (82) 23996262
WEBSITE:
www.bankofchina.com/kr

BANK OF CHINA (MALAYSIA) BERHAD

GROUND, MEZZANINE, &
1ST FLOOR PLAZA OSK,
25 JALAN AMPANG
50450 KUALA LUMPUR,
MALAYSIA
SWIFT: BKCHMYKL
TEL: (60) 323878888
FAX: (60) 321615150
EMAIL:
callcenter@bankofchina.com.my
WEBSITE:
www.bankofchina.com.my

BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

179/4 BANGKOK CITY TOWER,
SOUTH SATHORN ROAD,
TUNGMAHAMEK
SATHORN DISTRICT,
BANGKOK 10120,
THAILAND
SWIFT: BKCHTHBK
TEL: (66) 22861010
FAX: (66) 22861020
CUSTOMER SERVICE CENTRE:
(66) 26795566
EMAIL:
service.th@bankofchina.com
WEBSITE:
www.bankofchina.com.th

BANK OF CHINA (HONGKONG) LIMITED JAKARTA BRANCH

TAMARA CENTER
11TH FLOOR, Jl. JENDRAL
SUDIRMAN KAV.24,
JAKARTA SELATAN,
12920, INDONESIA
SWIFT: BKCHIDJA
TEL: (62) 215205502
FAX: (62) 215201113/215207552
EMAIL: cs@bankofchina.co.id
WEBSITE: www.bankofchina.co.id

BANK OF CHINA (HONGKONG) LIMITED PHNOM PENH BRANCH

CANADIA TOWER,
1ST & 2ND FLOOR,
#315 ANG DOUNG ST.
P.O.BOX 110, PHNOM PENH,
CAMBODIA
SWIFT: BKCHKHPP
TEL: (855) 23988886
FAX: (855) 23988880
EMAIL: service.kh@bankofchina.com
WEBSITE: www.bankofchina.com/kh

BANK OF CHINA (HONGKONG) LIMITED HOCHIMINH CITY BRANCH

11&12TH FL,
TIMES SQUARE BUILDING,
22-36 NGUYEN HUE STREET,
DISTRICT 1,
HOCHIMINH CITY,
VIETNAM
SWIFT: BKCHVNVX
TEL: (84) 2838219949
FAX: (84) 2838219948
EMAIL: service.vn@bankofchina.com
WEBSITE: www.bankofchina.com.vn

BANK OF CHINA (HONGKONG) LIMITED MANILA BRANCH

28/F. THE FINANCE CENTER,
26th STR. Cor. 9th AVE., BGC
TAGUIG CITY, METRO
MANILA PHILIPPINES
SWIFT: BKCHPHMM
TEL: (63) 282977888
FAX: (63) 288850532
EMAIL: customercare_ph@bank-of-china.com

BANK OF CHINA (HONGKONG) LIMITED VIENTIANE BRANCH

NO.A1003-A2003,
VIENTIANE CENTER,
KHOUVIENG ROAD,
NONGCHAN VILLAGE,
SISATTANAK DISTRICT,
VIENTIANE CAPITAL,
LAO P.D.R.
SWIFT: BKCHLALAXXX
TEL: (856) 21228888
FAX: (856) 21228880
EMAIL: service.la@bankofchina.com
WEBSITE: www.bankofchina.com.la

BANK OF CHINA (HONGKONG) LIMITED BRUNEI BRANCH

KIARONG JAYA KOMPLEK,
LOT NO. 56244,
SIMPANG 22,
JALAN DATO
RATNA,
KAMPONG KIARONG,
BANDAR SERI
BEGAWAN BE1318,
BRUNEI
DARUSSALAM
SWIFT: BKCHBNBB
TEL: (673) 2459888
FAX: (673) 2459878

BANK OF CHINA (HONGKONG) LIMITED YANGON BRANCH

ZONE B, 1ST FLOOR,
GOLDEN CITY
BUSINESS CENTER,
YANKIN ROAD,
YANKIN TOWNSHIP,
YANGON REGION,
MYANMAR
SWIFT: BKCHMMMY
TEL: (95) 19376130
FAX: (95) 19376142
EMAIL: bocyangon@bochk.com

BANK OF CHINA (HONG KONG) LIMITED REPRESENTATIVE OFFICE IN HANOI

18 FLOOR, NO.1 TOWER,
CAPITAL PLACE BUILDING,
29 LIEU GIAI STREET,
NGOC KHANH WARD,
BA DINH DISTRICT,
HA NOI,
VIET NAM
TEL: (84) 909009222
EMAIL: service.hn@bankofchina.com.vn

SYDNEY BRANCH

GROUND FLOOR,
140 SUSSEX STREET,
SYDNEY NSW 2000,
AUSTRALIA
SWIFT: BKCHAU2S
TEL: (61) 282355888
FAX: (61) 292621794
EMAIL: banking.au@bankofchina.com
WEBSITE: www.bankofchina.com/au

BANK OF CHINA (AUSTRALIA) LIMITED

GROUND FLOOR,
140 SUSSEX STREET,
SYDNEY NSW 2000,
AUSTRALIA
SWIFT: BKCHAU2A
TEL: (61) 282355888
FAX: (61) 292621794
EMAIL: banking.au@bankofchina.com
WEBSITE: www.bankofchina.com/au

BANK OF CHINA (NEW ZEALAND) LIMITED

LEVEL 17, TOWER 1,
205 QUEEN STREET,
AUCKLAND, 1010,
NEW ZEALAND
SWIFT: BKCHNZ22
TEL: (64) 99809000
FAX: (64) 99809088
EMAIL: service.nz@bankofchina.com
WEBSITE: www.bankofchina.com/nz

AUCKLAND BRANCH

LEVEL 17, TOWER 1,
205 QUEEN STREET,
AUCKLAND, 1010,
NEW ZEALAND
SWIFT: BKCHNZ2A
TEL: (64) 99809000
FAX: (64) 99809088
EMAIL: service.nz@bankofchina.com
WEBSITE: www.bankofchina.com/nz

JSC AB (BANK OF CHINA KAZAKHSTAN)

71B, MICRODISTRICT
ZHETYSU-2,
AUEZOV DISTRICT, 050063,
ALMATY,
REPUBLIC OF KAZAKHSTAN
SWIFT: BKCHKZKA
TEL: (7727) 2585510
FAX: (7727) 2585514
EMAIL: boc@bankofchina.kz

KARACHI BRANCH

5TH FLOOR, CORPORATE
OFFICE BLOCK,
DOLMEN CITY, HC-3, BLOCK 4,
SCHEME 5, CLIFTON,
KARACHI,
PAKISTAN
SWIFT: BKCHPKKA
TEL: (92) 2133110688
FAX: (92) 2133110600
EMAIL: klqbgs@bank-of-china.com
WEBSITE: www.bankofchina.com/pk

COLOMBO BRANCH

NO.40, YORK STREET
COLOMBO 001
SRI LANKA
SWIFT: BKCHLKLX
TEL: (94) 0112195566
FAX: (94) 0112118800
EMAIL: service.lk@bankofchina.com

MUMBAI BRANCH

41-B, 4TH FLOOR,
4 NORTH AVENUE,
MAKER MAXITY,
BANDRA KURLA COMPLEX,
BANDRA EAST, MUMBAI,
INDIA
SWIFT: BKCHINBB
TEL: (91) 2268246666
FAX: (91) 2268246667
EMAIL: bocmumbai@bankofchina.com
WEBSITE: www.bankofchina.com/in/

DUBAI BRANCH

LEVEL 11 TOWER 2,
AL FATTAN CURRENCY HOUSE
DUBAI INTERNATIONAL
FINANCIAL CENTRE
P.O. BOX 118842,
DUBAI, U.A.E
SWIFT: BKCHAEADXXX
TEL: (971) 43819100
FAX: (971) 43880778
EMAIL: service.ae@bankofchina.com

ABU DHABI BRANCH

UNIT 4608-4611, 46F,
ADDAX COMMERCIAL TOWER,
AL REEM ISLAND,
P.O.BOX73098,
ABU DHABI, U.A.E.
SWIFT: BKCHAEAA
TEL: (971) 24180999
FAX: (971) 24180996
EMAIL: abudhabi.ae@bankofchina.com

QATAR FINANCIAL CENTRE BRANCH

24TH FLOOR, ALFARDAN
TOWERS-OFFICE TOWER,
BUILDING NO.12, ZONE 61,
Al FUNDUQ, STREET NO.814,
DOHA,
QATAR
P.O Box: 5768
SWIFT: BKCHQAQA
TEL: (974) 44473681、44473682
FAX: (974) 44473696
EMAIL: service.qa@bankofchina.com

RIYADH BRANCH

Level 9, South Tower,
King Faisal Foundation Building,
King Fahd Road, PO Box 231431,
Postal Code 12212, Riyadh,
Kingdom of Saudi Arabia.
SWIFT: BKCHSARI
TEL: (966) 535928567
EMAIL: riyadh@bankofchina.com

BANK OF CHINA TURKEY A.S.

Esentepe Mah.
BUYUKDERE CAD. NO: 209,
TEKFEN TOWER K.21,
343944. LEVENT/SISLI-
ISTANBUL
TURKEY
SWIFT: BKCHTRIS
TEL: (90) 2122608888
FAX: (90) 2122798866
EMAIL: contact@bankofchina.com.tr
WEBSITE: www.bankofchina.com.tr

ULAANBAATAR REPRESENTATIVE OFFICE

9TH FLOOR, CENTRAL TOWER,
SUKHBAATAR SQUARE-2,
SBD-8,
ULAANBAATAR 14200,
MONGOLIA
TEL: (976) 77095566
FAX: (976) 77195566
EMAIL: service.mn1@bankofchina.com

BAHRAIN REPRESENTATIVE OFFICE

OFFICE 1502,
AL JASRAH TOWER,
DIPLOMATIC AREA
BUILDING 95,
ROAD 1702, BLOCK 317,
MANAMA
KINGDOM OF BAHRAIN
TEL: (973) 17531119
FAX: (973) 17531009
EMAIL:
bldbcbgs@bank-of-china.com

BANK OF CHINA REPRESENTATIVE OFFICE IN PAPUA NEW GUINEA

G-08 Stanley Hotel and Suite,
Sir John Guise Drive
Waigani Port Moresby NCD,
Papua New Guinea, P0 box 1192
TEL: 00675-3233308

BOC AVIATION LIMITED

8 SHENTON WAY #18-01
SINGAPORE 068811
TEL: (65) 63235559
FAX: (65) 63236962
EMAIL: information@bocaviation.com
WEBSITE: www.bocaviation.com

EUROPE

LONDON BRANCH

1 LOTHBURY,
LONDON EC2R 7DB,
U.K.
SWIFT: BKCHGB2L
TEL: (44) 2072828926
FAX: (44) 2076263892
EMAIL: service.uk@bankofchina.com
WEBSITE: www.bankofchina.com/uk

BANK OF CHINA (UK) LIMITED

1 LOTHBURY, LONDON EC2R 7DB,
U.K.
SWIFT: BKCHGB2U
TEL: (44) 2072828926
FAX: (44) 2076263892
EMAIL: service.uk@bankofchina.com
WEBSITE: www.bankofchina.com/uk

PARIS BRANCH

23 AVENUE DE LA GRANDE ARMEE
75116 PARIS,
FRANCE
SWIFT: BKCHFRPP
TLX: 281 090 BDCSP
TEL: (33) 149701370
FAX: (33) 149701372
WEBSITE: www.bankofchina.com/fr

FRANKFURT BRANCH

BOCKENHEIMER LANDSTR.
24 60323 FRANKFURT AM MAIN,
GERMANY
SWIFT: BKCHDEFF
TEL: (49) 691700900
FAX: (49) 69170090500
EMAIL:
service.de@bankofchina.com
WEBSITE:
www.bankofchina.com/de

MILAN BRANCH

VIA SANTA MARGHERITA,
14/16 – 20121 MILAN,
ITALY
SWIFT: BKCHITMM
TEL: (39) 02864731
FAX: (39) 0289013411
EMAIL:
hwmlbg00@bank-of-china.com
WEBSITE:
www.bankofchina.com/it

LUXEMBOURG BRANCH

55 Boulevard Royal, L-2449
Luxembourg
SWIFT: BKCHLULL
TEL: (352) 268688
FAX: (352) 221795
EMAIL:
service.lu@bankofchina.com
WEBSITE:
www.bankofchina.com/lu

BANK OF CHINA (EUROPE) S.A.

55 Boulevard Royal, L-2449
Luxembourg
SWIFT: BKCHLULA
TEL: (352) 268688
FAX: (352) 221795
EMAIL:
service.lu@bankofchina.com
WEBSITE:
www.bankofchina.com/lu

BANK OF CHINA (EUROPE) S.A. ROTTERDAM BRANCH

COOLSINGEL 63, 3012AB
ROTTERDAM,
THE NETHERLANDS
SWIFT: BKCHNL2RXXX
TEL: (31) 102175888
FAX: (31) 102175899
EMAIL:
service.nl@bankofchina.com
WEBSITE:
www.bankofchina.com/nl

BANK OF CHINA (EUROPE) S.A. BRUSSELS BRANCH

BOULEVARD DU REGENT 35,
1000 BRUSSELS,
BELGIUM
SWIFT: BKCHBEBB
TEL: (32) 24056688
FAX: (32) 22302892
EMAIL:
service.be@bankofchina.com
WEBSITE:
www.bankofchina.com/be

BANK OF CHINA (EUROPE) S.A. POLAND BRANCH

UL. ZIELNA 41/43,
00-108 WARSAW,
POLAND
SWIFT: BKCHPLPX
TEL: (48) 224178888
FAX: (48) 224178887
EMAIL:
service.pl@bankofchina.com
WEBSITE:
www.bankofchina.com/pl

BANK OF CHINA (EUROPE) S.A. STOCKHOLM BRANCH

TEGELUDDSVAGEN 21, 11541
STOCKHOLM,
SWEDEN
SWIFT: BKCHSESS
TEL: (46) 107888888
FAX: (46) 107888801
EMAIL:
service.se@bankofchina.com
WEBSITE:
www.bankofchina.com/se

BANK OF CHINA (EUROPE) S.A. LISBON BRANCH-SUCURSAL EM PORTUGAL

RUA DUQUE DE PALMELA
NO. 35, 35A E 37;
1250-097 LISBOA,
PORTUGAL
SWIFT: BKCHPTPL
TEL: (351) 210495710
FAX: (351) 210495738
EMAIL:
service.pt@bankofchina.com
WEBSITE:
www.bankofchina.com/pt

BANK OF CHINA (EUROPE) S.A. ATHENS BRANCH

2 Mesogeion Ave,
Ampelokipoi, 11527, Athens,
Greece
SWIFT: BKCHGRAA
TEL: (30) 2111906688
EMAIL:
service.gr@bankofchina.com

BANK OF CHINA (EUROPE) S.A. DUBLIN BRANCH

5TH FLOOR, STYNE HOUSE,
Hatch Street Lower,
Dublin 2, D02 DY27,
Ireland
SWIFT: BKCHIE3DXXX
TEL: (353) 14768888
EMAIL:
dublinbranch@bank-of-china.com

BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED

7 JOZSEF NADOR TER,
1051 BUDAPEST,
HUNGARY
SWIFT: BKCHHUHBXXX
TEL: (36) 14299200
FAX: (36) 14299202
EMAIL:
service.hu@bankofchina.com
WEBSITE:
www. bankofchina.com/hu

HUNGARIAN BRANCH

7 JOZSEF NADOR TER, 1051
BUDAPEST,
HUNGARY
SWIFT: BKCHHUHHXXX
TEL: (36) 14299200
FAX: (36) 14299202
EMAIL:
service.hu@bankofchina.com
WEBSITE:
www.bankofchina.com/hu

BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED PRAGUE BRANCH

NA FLORENCI 2116/15,
11000 Prague 1,
CZECH REPUBLIC
SWIFT: BKCHCZPPXXX
TEL: (42) 0225986666
FAX: (42) 0225986699
EMAIL:
service.cz@bankofchina.com

BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED VIENNA BRANCH

SCHOTTENRING 18,
1010 VIENNA,
AUSTRIA
SWIFT: BKCHATWWXXX
TEL: (43) 153666800
FAX: (43) 153666888
EMAIL:
service.at@bankofchina.com
WEBSITE:
www.bankofchina.com/at

BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED BUCHAREST BRANCH

Piata Presei Libere, Nr. 3-5,
South Tower of City Gate Building,
11th Floor District 1, Bucharest
SWIFT: BKCHROBUXXX
TEL: (40) 318029888
FAX: (40) 318029889
EMAIL:
service.ro@bankofchina.com
WEBSITE:
www.bankofchina.com/ro

BANK OF CHINA SRBIJA A.D. BEOGRAD

BULEVAR ZORANA
DINDICA 2A,
11070 Beograd,
SERBIA
SWIFT: BKCHRSBGXXX
TEL: (381) 116351000
FAX: (381) 112280777
EMAIL:
service.rs@bankofchina.com
WEBSITE:
www. bankofchina.com/rs

BANK OF CHINA (RUSSIA)

72, PROSPEKT MIRA,
MOSCOW, 129110
RUSSIA
SWIFT: BKCHRUMM
TEL: (7495) 2585301
FAX: (7495) 7950454
EMAIL: iboc@boc.ru
WEBSITE: www.boc.ru

GENEVA BRANCH

RUE DE LA TOUR-DE-1
ILE 1, CH-1204 GENEVA,
SWITZERLAND
SWIFT: BKCHCHGE
TEL: (415) 86116800
FAX: (415) 86116801
EMAIL:
service.ch@bank-of-hina.com

AMERICA

NEW YORK BRANCH

1045 AVENUE OF THE AMERICAS,
NEW YORK, NY 10018,
U.S.A.
SWIFT: BKCHUS33
TEL: (1212) 9353101
FAX: (1212) 5931831
WEBSITE: www.bocusa.com

BANK OF CHINA (CANADA)

SUITE 600,
500 MINTHORN BOULEVARD
MARKHAM, ONTARIO,
CANADA, L3T 7X8
SWIFT: BKCHCATT
TEL: (1905) 7716886
FAX: (1905) 7718555
EMAIL:
boccanada@bankofchina.ca
WEBSITE:
www.bankofchina.com/ca

TORONTO BRANCH

6108 ONE FIRST CANADIAN PLACE,
100 KING STREET WEST,
P.O.BOX 241,
TORONTO, ONTARIO,
CANADA, M5X 1C8
SWIFT: BKCHCAT2
TEL: (1416) 9559788
FAX: (1416) 9559880
EMAIL:
service.ca@bankofchina.com

GRAND CAYMAN BRANCH

GRAND PAVILION
COMMERCIAL CENTER,
802 WEST BAY ROAD,
P.O. BOX 30995,
GRAND CAYMAN KY1-1204
CAYMAN ISLANDS
SWIFT: BKCHKYKY
TEL: (1345) 9452000
FAX: (1345) 9452200
EMAIL:
gcb@bank-of-china.com

PANAMA BRANCH

P.O. BOX 0823-01030
PUNTA PACIFICA
P.H. OCEANIA BUSINESS PLAZA
TORRE 2000 PISO 36
PANAMA CITY,
REPUBLIC OF PANAMA
SWIFT: BKCHPAPA
TEL: (507)2169404
FAX: (507) 2239960
EMAIL:
bocpanama@cwpanama.net
WEBSITE:
www.bankofchina.com/pa/

BANCO DA CHINA BRASIL S.A.

AVENIDA PAULISTA,
901-14 ANDAR BELA VISTA
CEP: 01311-100,
SAO PAULO, SP,
BRASIL
SWIFT: BKCHBRSP
TEL: (55)1135083200
EMAIL:
ouvidoria@boc-brazil.com
WEBSITE:
www.bankofchina.com/br

CHILE BRANCH

ANDRÉS BELLO 2457,
PISO 16, PROVIDENCIA,
SANTIAGO,
CHILE
SWIFT: BKCHCLRM
TEL: (56) 227157800
FAX: (56) 227157898
EMAIL: servicios@cl.bocusa.com
WEBSITE: www.bankofchina.com/cl

BANK OF CHINA MÉXICO, S.A. INSTITUCIóN DE BANCA MúLTIPLE

PASEO DE LA REFORMA 243,
PISO 24, COLONIA
CUAUHTÉMOC, CIUDAD
DE MÉXICO,
MEXICO
SWIFT: BKCHMXMX
TEL: (52) 5541705800
FAX: (52) 5552078705
EMAIL: servicios@mx.bocusa.com
WEBSITE:
www.bankofchina.com/mx/

BUENOS AIRES BRANCH

JUANA MANSO 999,
PISO 5, CABA,
ARGENTINA
SWIFT: BKCHARBAXXX
TEL: (54) 1154395566
EMAIL: service.ar@bankofchina.com

BANK OF CHINA (PERU) S.A.

Av. República de Panamá 3461,
Torre Panamá, piso 29,
San Isidro, Lima,
Perú
SWIFT: BKCHPEPL
TEL: (51) 17037700
EMAIL:
bocpe_reclamos@pe.bocusa.com
WEBSITE:
www.bankofchina.com/pe/index.html

AFRICA

BANK OF CHINA (ZAMBIA) LIMITED

PLOT NO. 2339,
KABELENGA ROAD,
P.O. BOX 34550, LUSAKA,
ZAMBIA
SWIFT: BKCHZMLU
TEL: (260) 211233271
FAX: (260) 211236782
EMAIL:
executive.zm@bank-of-china.com
WEBSITE:
www.bankofchina.com/zm

JOHANNESBURG BRANCH

12TH-16TH FLOORS,
ALICE LANE TOWERS,
15 ALICE LANE, SANDTON,
JOHANNESBURG,
SOUTH AFRICA
SWIFT: BKCHZAJJ
TEL: (27) 115209600
FAX: (27) 117832336
EMAIL:
generalaffairs.sa@bank-of-china.com
WEBSITE:
www.bankofchina.com/za

BANK OF CHINA (MAURITIUS) LIMITED

5TH FLOOR,
DIAS PIER BUILDING,
CAUDAN WATERFRONT,
PORT LOUIS,
MAURITIUS
SWIFT: BKCHMUMU
TEL: (230) 2034878
FAX: (230) 2034879
EMAIL:
services.mu@bankofchina.com
WEBSITE:
www.bankofchina.com/mu

LUANDA BRANCH

VIA S10 NO.701, CONDOMINIO BELAS BUSSINESS PARK, TORRE CUANZA SUL 8 ANDAR, LUANDA,
REPUBLIC OF ANGOLA
SWIFT: BKCHAOLU
TEL: (244) 923165700
FAX: (244) 923165717
EMAIL:
boclb.ao@bankofchina.com
WEBSITE:
www.bankofchina.com/ao

BANQUE DE CHINE (DJIBOUTI) S.A.

ZONE INDUSTRIELLE SUD,
LOT NUMERO 219B,
B.P. 2119, DJIBOUTI
SWIFT: BKCHDJJD
TEL: (253) 21336666
FAX: (253) 21336699
EMAIL:
services.dj@bankofchina.com

NAIROBI REPRESENTATIVE OFFICE

Unit 1, 5th Floor, Wing B,
Morningside Office Park,
Ngong Road, Nairobi,
Kenya
TEL: (254) 203862811
FAX: (254) 203862812
EMAIL:
service.ke@bankofchina.com

MOROCCO REPRESENTATIVE OFFICE

NO.71, ANFA CENTER, 128, BD D'ANFA & ANGLE
RUE LAHCEN BASRI,
CASABLANCA, MAROC
TEL: (212) 522203779
FAX: (212) 522273083
EMAIL:
service.ma@bankofchina.com

TANZANIA REPRESENTATIVE OFFICE

8TH FLOOR, AMANI PLACE,
OHIO STREET, P.O. BOX 13602,
DAR ES SALAAM,
TANZANIA
TEL: (225) 222112973
FAX: (225) 222112974
EMAIL:
repoffice.tz@bankofchina.com